# Ørsted suspension highlights urgent need for UK offshore wind policy clarity



The recent announcement from Ørsted regarding the suspension of its Hornsea 4 offshore wind farm has sent ripples through the UK's renewable energy sector. The project, a key part of the UK's ambitious clean energy agenda, was expected to generate 2.4 gigawatts of power, enough to supply over a million homes. Yet, Ørsted’s concerns about rising supply chain costs and economic challenges underscore broader issues within the industry that have been building for some time.

Despite this setback, the UK retains significant momentum in its offshore wind sector, which has evolved drastically over recent years. According to industry stakeholders, the UK’s approach, notably through the “contracts for difference” (CfD) framework, has established a solid foundation for growth. This mechanism not only guarantees a fixed price for the energy produced but also allows for market adjustments, ensuring that if electricity prices exceed a set threshold, developers reimburse the taxpayer. This model has garnered praise from influential figures like Larry Fink of BlackRock, who, at a recent investment summit, urged the government to maintain stability in this system. "Don’t change a thing," he warned, emphasising the necessity of investor confidence amid turbulent economic conditions.

The UK government’s Clean Power 2030 plan is another pillar supporting the industry. It sets a clear roadmap for achieving a cleaner energy sector by the end of the decade, fostering an environment conducive to investment. This clarity is crucial, as demonstrated by Scottish Power’s commitment to two major projects off the East Anglian coast, which include substantial contracts for turbine manufacturing. These initiatives are not merely ambitious; they represent economic lifelines capable of catering to the electricity needs of millions.

However, the challenges posed by Ørsted’s recent decision highlight the precariousness of this sector. With inflation and rising costs casting uncertainty, the industry must navigate complex policy reforms. Upcoming renewable subsidy auctions will be critical; success in these auctions is imperative for meeting the Clean Power 2030 goals. As Keith Anderson, chief executive of Scottish Power, pointed out, if the upcoming auction is to succeed, clarity in policy design is essential. “It’s go big, or go home,” he stated, reinforcing the need for a straightforward and effective regulatory framework.

Moreover, there are signals that the government is keen on boosting renewable capacity, including a recent increase in funding for offshore wind initiatives. The expansion of the "Clean Industry Bonus" has more than doubled its budget, aiming to attract private investment and facilitate the development of cleaner energy projects. Such steps are vital, particularly as the sector grapples with external pressures like supply chain disruptions and inflation.

The UK's offshore wind sector, now the second largest in the world, continues to face challenges from both rising costs and competition for resources. Yet, innovative efforts are underway to mitigate these issues. Initiatives like the Capacity Increase Programme, green-lighted by the Crown Estate, aim to enhance existing offshore sites rapidly, adding significant gigawatt capacity toward the national target of 50 GW by 2030.

In tandem, projects aimed at strengthening electricity infrastructure are on the rise, reflecting a commitment to not just generate clean energy but also to deliver it efficiently. Plans announced for a subsea cable factory in North Ayrshire exemplify the push to bolster domestic manufacturing capabilities for renewable energy transmission, creating job opportunities while aligning with broader environmental goals.

As the UK navigates the stormy waters of economic and regulatory challenges, a concerted effort is needed from all stakeholders to maintain the momentum of its offshore wind sector. Without vigilant support for innovation and investment, the dream of a cleaner, more sustainable energy landscape could falter. Ultimately, as Keith Anderson asserts, the stakes are not merely political but fundamentally economic: “This isn’t about the political football of net zero. This is about economic growth, pure and simple.” In a landscape where electricity demand is projected to double, the imperative for robust infrastructure and sustained investment has never been clearer.

### Reference Map

1. Paragraph 1: (1), (2), (3)
2. Paragraph 2: (1), (2)
3. Paragraph 3: (1), (5)
4. Paragraph 4: (1), (2), (4)
5. Paragraph 5: (1), (5)
6. Paragraph 6: (4), (5)
7. Paragraph 7: (4), (7)
8. Paragraph 8: (1), (6)

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## Bibliography

* <https://www.thetimes.com/business-money/energy/article/wind-power-renewable-energy-scotland-lv0tcsr6k> - Please view link - unable to able to access data
* <https://www.ft.com/content/7015e906-6415-4c35-a992-88f5f3e60e07> - Ørsted, the world's largest offshore wind developer, has halted its Hornsea 4 project in the UK due to rising costs and risks, posing a setback to the country's clean energy ambitions. The 2.4 GW project in the North Sea was intended to power over a million homes and had secured a UK government contract for a fixed electricity price. However, Ørsted cited macroeconomic challenges, supply chain issues, and increased operational risks as reasons for suspending spending and terminating supplier contracts, leading to projected losses of £399 million to £513 million this year. Chief Executive Rasmus Errboe noted that the company retains the development rights and may revisit the project under more favorable conditions. The decision reflects wider industry struggles, including a similar move by Vattenfall in 2023, and underscores growing concern over inadequate government support amid inflation and logistical constraints. The UK government, aiming to triple offshore wind capacity by 2030, stated its intention to collaborate with Ørsted to revive the project and affirmed its commitment to expanding clean energy infrastructure.
* <https://www.reuters.com/sustainability/climate-energy/offshore-wind-developer-orsted-q1-beats-forecasts-2025-05-07/> - Danish renewable energy company Orsted announced the cancellation of its major offshore wind project, Hornsea 4, in the UK due to worsening global economic conditions affecting renewable energy development. The company cited rising supply chain costs, higher interest rates, and increasing execution risks, leading to a projected loss of up to 5.5 billion Danish crowns ($837.85 million) in breakaway fees and asset write-downs. Orsted has experienced a dramatic 80% decline in market value since its peak in 2021. The company also reported a better-than-expected first-quarter EBITDA of 8.6 billion Danish crowns, surpassing analysts' expectations of 7.88 billion. Despite this positive result, Orsted maintained its unchanged 2025 outlook, excluding the impact of the Hornsea 4 cancellation. The company continues to face challenges in the previously promising U.S. market, particularly due to delays, impairments, and political opposition to offshore wind, notably from former President Donald Trump. This regulatory pushback has affected broader industry confidence, as shown by Norway's Equinor halting its Empire Wind I project in New York following a U.S. stop-work order. Orsted will further evaluate impacts from U.S. tariffs and regulatory shifts as it navigates a more complex renewable energy landscape.
* <https://www.reuters.com/business/energy/uks-crown-estate-gives-green-light-expand-capacity-offshore-wind-sites-2025-05-09/> - The UK's Crown Estate, owned by King Charles III and responsible for managing the country's seabed, has approved an expansion of high-density wind farms on existing offshore sites. This move is part of a strategic effort to rapidly and efficiently increase clean energy capacity and support the UK's goal to largely decarbonize its electricity sector by 2030. Through the Capacity Increase Programme, seven projects—including RWE's Rampion 2 and SSE and Equinor's Dogger Bank D—will collectively add 4.7 gigawatts of offshore wind capacity. These projects already have necessary grid connections and infrastructure, enabling swift deployment. The UK aims to generate up to 50 GW of offshore wind energy by 2030, rising from the current 15 GW. Gus Jaspert, Managing Director of Marine at The Crown Estate, emphasized that offshore wind supports national prosperity by creating jobs and supporting supply chains. Despite being the second-largest offshore wind market globally, after China, the UK faces challenges from rising costs, inflation, and supply chain issues. Nonetheless, the programme is expected to provide clean, secure energy to up to four million homes and reduce dependence on internationally sourced fossil fuels.
* <https://www.reuters.com/sustainability/climate-energy/britain-increases-wind-farm-incentives-funding-720-million-2025-05-09/> - Britain has significantly increased its funding for offshore wind projects, expanding the 'Clean Industry Bonus' scheme from £200 million to £544 million ($721.78 million), in response to heightened investor interest. This move aims to bolster the nation's clean energy plan, which targets increasing offshore wind capacity from the current 15 GW to between 43-50 GW by 2030. The incentives come at a critical time, following the cancellation of Ørsted's Hornsea 4 project due to economic pressures from rising construction costs. The enhanced funding will support projects in the next renewable subsidy auction later this year, offering £27 million per gigawatt of capacity. The scheme favors developers investing in underserved regions and greener supply chains, including traditional oil and gas communities and ex-industrial areas. According to Ana Musat from RenewableUK, the funding could stimulate substantial private investment in domestic manufacturing for the offshore wind industry.
* <https://www.reuters.com/business/energy/trump-calls-open-up-north-sea-get-rid-windmills-2025-01-03/> - El presidente electo de Estados Unidos, Donald Trump, criticó la política energética del Reino Unido, exigiendo la apertura del envejecido yacimiento de petróleo y gas del Mar del Norte y la eliminación de los parques eólicos. El Mar del Norte ha sido uno de los mayores productores de petróleo y gas del mundo, aunque su producción ha disminuido desde principios del milenio. Simultáneamente, se ha convertido en una de las mayores regiones de energía eólica marina. El gobierno británico, bajo el liderazgo del Primer Ministro Keir Starmer, ha prometido expandir la capacidad de generación de energía eólica marina para reducir las emisiones de carbono. La industria petrolera y de gas ha argumentado que el aumento de impuestos podría reducir las inversiones en el Mar del Norte. La portavoz del gobierno británico señaló que la prioridad sigue siendo una transición justa hacia la energía limpia y nacional para proteger a los consumidores y fortalecer la independencia energética. La oposición conservadora está en desacuerdo, advirtiendo contra el cierre de la producción doméstica de petróleo y gas. La producción de petróleo en el Mar del Norte ha disminuido significativamente, y el desarrollo de parques eólicos enfrenta desafíos debido a los costos crecientes y problemas técnicos.
* <https://www.ft.com/content/8ce06f13-c09c-42b4-ba65-d29d4983d60d> - In North Ayrshire, a £2bn subsea cable factory is planned on a former coal-handling port site. The project aims to boost Scotland's supply chain and foster manufacturing for transmitting renewable energy. This initiative is part of the UK and Scotland's transition to net-zero power by 2030 and responds to job losses in the oil and gas sectors. The Scottish National Investment Bank (SNIB) supports the factory, emphasizing the need for domestic production capacity for offshore wind projects. Concerns remain about investing in untested technology, but the high demand for high-voltage direct current cables, projected to start production in 2030, underscores the project's importance. The factory will create 900 long-term jobs plus 200 apprenticeships. SNIB's involvement, coupled with expanding Scottish ports, highlights a strategic effort to reduce reliance on imports and support local economies amid the green energy transition. The factory's success hinges on timely government approvals and industry collaboration.