Netherlands Enterprise Agency

Letter to Parliament on Contracts for Difference for solar PV and wind energy

Commissioned by the ministry of Economic Affairs and Climate Policy

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Subject Letter to Parliament on Contracts for Difference for solar PV and wind energy

Dear Chairman,

The Government is committed to a prosperous, clean and independent Netherlands. It is crucial to invest in energy security and affordable domestic energy, also for the long term. In recent years, there have been more and more times when Dutch solar and wind energy can fully meet our electricity demand. This makes us less dependent on imported coal and gas. The Government wants to continue this development by focusing on the further roll-out of renewable electricity. At the same time, electricity prices are becoming increasingly volatile and are sometimes even negative at times of high renewable energy generation. The next phase of the energy transition, with an increasing share of energy from solar and wind, therefore calls for a price certainty mechanism for solar PV and wind energy.

Due to European regulations, it will soon no longer be possible to offer price certainty to these projects through the current (SDE++ and the Temporary Support Framework for Offshore Wind *Tijdelijk ondersteuningsmechanisme windenergie op zee*, TOWOZ) subsidy schemes. However, it is possible by means of contracts for difference (CfDs). Through this instrument, the Govenent can ensure lower financing costs for renewable electricity projects, allowing their rollout to continue cost-efficiently. This is important, because renewable electricity is essential for security of supply and energy independence in the Netherlands, and for national and European energy and climate objectives. In the Coalition Agreement, the Government has allocated funds for the SDE++ and to invest in offshore wind energy through CfDs in order to reach 40 GW of installed capacity.

With CfDs, support is paid to an electricity producer below an agreed average market price, while producers pay revenue to the Government above an agreed average market price. As already announced in Letters to Parliament regarding future stimulation of solar PV and onshore wind energy[1], and in the Offshore Wind Action Plan[2], for some time the Government has been working on the design of CfDs, in which various technical design choices can be made. This letter explains

[1] Parliamentary Papers II 2023/24, 31239, no. 393 and Parliamentary Papers II 2024/25, 31239, no. 428.
[2] Parliamentary Papers II 2025/26, 33561, no. 91.

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how the Government intends to use this instrument for solar PV and onshore wind energy, and offshore wind energy, respectively. Based on the proposed design choices, the Netherlands Environmental Assessment Agency (PBL) will be asked for advice. The design choices and their impact on the submission amounts will be included in the market consultation that will start this month. The final design choices will be made based on the advice of PBL and take into account the available budget and achievement of objectives.

With this letter, the Government also informs market parties. During the preparation of these instruments, there was a lot of contact with market parties, industry associations, other European member states and experts at home and abroad, in order to arrive at an instrument that offers sufficient certainty for market parties and at the same time prevents excess profits. Lessons learned in countries that have been using CFDs for some time or are also preparing for them have been included. In this way, this instrument contributes to an affordable energy transition.

Legal embedding of CFDs
The European Electricity Market Regulation[3] requires countries that want to provide direct price support to renewable electricity projects to do so, as of mid-2027, in the form of CfDs or similar schemes with the same effect.[4] An important difference compared to the SDE++ and TOWOZ is that these concern private-law contracts rather than subsidy decisions, whereby it is also possible thatthe Government collect more money over the term than paid. This means that a new law is needed to enable it implementation. From 16 October to 14 November 2025, the draft bill *on Contracts for Difference* was therefore submitted for online consultation. All participants in the online consultation are thanked for their responses. In response to these comments, a report has been drawn up, which will be published soon on www.internetconsultatie.nl. The input from the online consultation has been incorporated into the draft bill and the draft explanatory memorandum, which were recently presented to the Advisory Division of the Council of State. After processing the advice of the Division, this package will be sent to the House of Representatives. To ensure the process towards the use of CfDs in 2027 runs smoothly, the Government is asking the House of Representatives in advance to expedite consideration of the bill.

The bill does not contain any substantive choices for the CfDs and how they are used, because the law only aims to make the instrument of CfDs legally possible. The substantive choices will be laid down at a later stage by ministerial regulation. The law also creates the possibility of stimulating projects other than solar PV and wind energy with CfDs, should this prove desirable in the future, such as nuclear energy, the generation of sustainable heat, electrification or carbon capture and storage (CCS).

Design principles
The substantive choices for the CfDs are outlined in this letter, distinguishing between support of offshore wind energy and onshore renewable electricity. This distinction is necessary because offshore wind energy is subject to different

[3] Article 19d of Regulation (EU) 2019/943, which was revised by Regulation (EU) 2024/1747.
[4] For hybrid connected wind farms, this will be two years later in 2029 – these are wind farms that are connected to two or more countries.

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(market) conditions than solar PV and onshore wind energy, which will be discussed in more detail later in this letter.

A CfD can be designed in many different ways. When designing the CfDs, the three main principles for the Government are (1) a fair distribution of financial risks between market parties and the Government; 2) as little disruption to electricity markets as possible; and 3) the feasibility of the instrument, both for the Government and for developers of renewable electricity projects. For offshore wind, a distinctive circumstance is that surrounding countries also offer CFDs, and that offshore wind project developers are often active in several countries. In the design of the CfDs, sufficient attractiveness compared to CfDs in other countries is therefore a point of attention.

Explanation of the design choices
To ensure the proper feasibility of the instrument, a production-based CfD has been chosen for both onshore renewable electricity and offshore wind energy, whereby support payments and claims are calculated per unit of electricity produced. In particular, the CfDs for onshore renewable energy involve a large number of diverse projects in many different locations. The instrument should be suitable to support all these projects in an appropriate manner. Defining an appropriate reference volume, which is required for a production-independent CfD, for a large number of different projects has proven to be unrealistic, certainly within the available implementation period. For offshore wind energy, the possibility of a production-independent CfD, where payments are made on the basis of a reference volume, is being further explored. The number of offshore wind energy projects is smaller, which may make this possible and desirable in the future. Lessons from surrounding member states developing such a system will also be examined.

Negative prices are playing an increasingly important role in the electricity market. To prevent unwanted production during these periods when using CfDs in the future, the European Commission has determined that no support payments may be made for production during periods of negative electricity prices. It is unclear how many periods of negative prices will occur during the lifetime of a renewable electricity project. This creates significant uncertainty for developers. Due to the impact of this on the business case, the Government intends to offer partial compensation for those periods. This compensation reduces the exposure of developers to the adverse effects of negative electricity prices, so developers do not have to factor this risk into their bids. The choice for partial compensation, as opposed to full compensation, is made to maintain incentives for electricity storage and self-consumption. The compensation is calculated based on the number of periods with negative prices and the potential production of the installation, and is focused on technology (wind energy or solar PV). The exact amount of the partial compensation is still being investigated, with providing sufficient certainty for a sound business case being an important starting point.
In addition, the Government remains committed to developing the demand side, for example by stimulating demand through the SDE++ and, in collaboration with InvestNL, developing an instrument that provides guarantees on long-term power purchase agreements (PPAs).
Furthermore, to ensure an appropriate risk balance between the Government and producers, a base energy price is used, as known from the SDE++. In the event of low market prices, support payments are capped at the difference between the submission amount and the base energy price. The base energy price, as well as the setting maximum submission amounts, therefore limits the financial risk for

the Government. The level of the base energy price for CfDs has yet to be determined and is not necessarily equal to the base energy price of the SDE++. When determining the amount, the Government explicitly takes into account the risk market parties are exposed to. By working with an annual average of the electricity price when calculating the so-called reference amount, the risk that the reference amount will fall below the base energy price, and therefore that market participants will not receive an additional support payment, is much lower than for a reference period of one month or less. To further reduce the risk of a base energy price for the producer, and at the same time increase exposure to market incentives, the Onshore Renewable Electricity CfD will have a fixed bandwidth within which CfD support payments and claims do not apply ('*cap and floor*'). This creates a margin within which no payments take place and which gives market parties the opportunity to earn extra income. For offshore wind energy, a single submission amount is used, without the above-mentioned bandwidth. This contributes to a simpler design of the CfD and is strongly preferred by the offshore wind sector.

Managing inflation is also an important topic for fair distribution of financial risks. Inflation mainly creates a risk for the developer between the time the submission amount is determined and when the final investment decision is made. Just before the final investment decision, the developer locks in prices with suppliers and buyers. In the case of on- and offshore solar PV and onshore wind energy, projects are subject to permits. The Government observes that objections and appeals are often filed against these projects, which means projects may face delays. Offshore wind farms are large-scale projects and preparation for development is complex. Even after the bidding process, the winning applicant will still have to carry out various preparatory works, as a result of which contracts will only be concluded a few years after the permit has been granted. The social costs of non-realisation of these various projects are considerable. When entering into a CfD, the Government makes large budget reservations, which remain unused if a project does not come to fruition. It also has consequences for the energy transition if large amounts of renewable generation capacity are not realised. Finally, non-realisation of offshore wind farms specifically has major financial consequences for the Government. Under the current roadmap, TenneT is legally obliged to construct the offshore electricity grid for the construction of offshore wind farms. This involves large investments, which means delays or non-realisation of offshore wind farms can lead to high social costs.

The Government therefore intends to apply an inflation adjustment to the submission amount for on- and offshore solar, onshore wind and offshore wind for the first two years after the bidding procedure. In doing so, the Government aims to (largely) hedge inflation until the final investment decision is taken, in order to prevent the risk of non-realisation due to interim inflation shocks. In these years, unexpectedly high inflation can lead to the costs of realising the project deviating from what was expected at the time of bidding. By applying inflation correction, this risk is covered for developers, so they do not have to take this into account in their bids.
The price indices that will form the basis for the inflation correction are still being determined. The maximum submission amount will take into account expected inflation over the life of the contract. For roof-top solar, where there are no potentially delaying permit procedures, the methodology the market is used to from the SDE++ will be adhered to, whereby the expectation of future inflation is applied in advance to the submission amount, and the submission amount is not further adjusted for inflation.

For onshore renewable electricity, the contract will be concluded with a term of 15 years. For offshore wind energy, the Government intends to maintain a term of 20 years.[5] Based on financing structures for offshore wind and the decisions made by other countries in this area, this seems to be the most appropriate duration. To investigate this further, PBL is asked to provide advice on a contract term of both 15 and 20 years, and the market is asked to respond to both options during the market consultation. For optimal exposure to market price incentives, it has been decided that the reference price will be calculated as a technology-specific, annual average of the electricity price. As a result, the electricity producer retains the incentive to maximise revenues on the electricity market in the design and operation of the project. It is also possible to exclude part of the production capacity for the entire duration from the contract (*carve-out)* when submitting the bid for the competitive bidding process. As a result, producers retain the ability to benefit from long-term contracts on the electricity market and also to use part of the electricity generated for the production of renewable fuels of *non-biological origin (*RFNBOs).[6] Projects that choose to exclude part of their production capacity from the contract are ranked higher because they need less support. In parallel, InvestNL, in collaboration with the Ministry of Economic Affairs and Climate Policy, is developing an instrument that provides guarantees on PPAs between customers and producers of renewable electricity. This instrument enables buyers with a lower creditworthiness to enter into PPAs more easily, thereby increasing access to the PPA market. At the same time, it reduces the investment risks for project developers, because the payment risk can be partly hedged.

Possible feed-in tariff for producers
The Netherlands Authority for Consumers and Markets (ACM) is currently exploring the introduction of a feed-in tariff for producers. A feed-in tariff directly affects the business case for renewable electricity and is therefore a concern for market parties. There is currently still a lot of uncertainty about the possible introduction of a feed-in tariff and its design. The Government hopes to be able to communicate how this will be dealt with in the CfD as soon as possible, once there is more clarity regarding the choices concerning the feed-in tariff.

Competitive bidding process
The substantive choices for the CfDs are legally laid down in draft contracts, which are published by ministerial regulation. These ministerial regulations also elaborate the conditions for the competitive bidding procedure with any additional ranking criteria. Separate bidding procedures are organised for solar PV and onshore wind energy on the one hand, and offshore wind energy on the other. In a competitive bidding process, parties can submit a bid by completing and returning the draft contract. The bids are ranked according to (subsidy) support intensity and any other ranking criteria, after which contracts are concluded with the parties highest in the ranking.

[5] For both onshore renewable and offshore wind, a banking year is also included in the contract: an extra year in which non-run production hours from previous years can be made up and supported.
[6] The Government is therefore taking into account European requirements for the production of RFNBOs in the design and is in discussion with the European Commission about the ongoing investigation into these requirements.

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Solar PV and onshore wind energy
The ranking of bids for solar PV and onshore wind energy is based on the support intensity: the number of euros of expected support per tonne of CO2 emissions avoided. Bids from the highest ranked projects will be accepted. The number of contracts is capped based on a predetermined budget, as well as the condition that a maximum of 85 percent of the total number of ranked bids receives a contract. This ensures competition at all times, even if less budget is requested than is available, and projects are encouraged to make a competitive bid. To a large extent, the same types of projects can participate in the bidding procedure as for solar PV and onshore wind in the SDE++. However, a change compared to the SDE++ is that, due to higher implementation costs of the CfD, the lower limit for eligible projects will be raised to 200 kWp. For smaller projects, it is assumed that they are profitable due to a high percentage of self-consumption.

Offshore wind
For the application of CfDs, the procedure with comparative assessment is used for offshore wind energy. This offers the option to assess a developer's bid not only based on the lowest support intensity per kWh[7], but potentially also on qualitative aspects of the bid. In this context, it is important to consider how — fitting within the business case — solutions for societal objectives can be encouraged to contribute to the further growth of offshore wind energy, such as ecology and system integration. The Government remains ommitted to tackling and mitigating the consequences of grid congestion and the integration of offshore wind energy into the energy system.[8] Knowledge gained from the realisation and operation of previous offshore wind farms will be taken into account.

Ecological criteria are important to minimise negative effects on nature and maximise positive effects, so that offshore wind energy can be rolled out in a responsible manner. Past tender rounds with a comparative test have led to innovative projects in the field of ecology. Provided it is effective, feasible and practicable, the knowledge gained can be (partially) Wind Farm Site Decision (WFSD) or in the permit for future offshore wind farms. This is in line with the rules for non-pricing criteria from the European *Net Zero Industry Act* (NZIA). Ecological regulations in the WFSD consist of both measures to limit the effects on nature, such as a standard for underwater noise during pile-driving work, and regulations for nature enhancement (nature-inclusive construction). In addition to mandatory requirements in WFSDs or the permit, the prevention and/or reduction of consequences for North Sea nature is also taken into account at the outset of the offshore wind process. The Government remains committed to developing knowledge in the field of ecology. To this end, various monitoring processes are being mapped out and interconnected, such as the Offshore Wind Ecological Programme (Wozep) and the RVO site studies.

Implementation
As with the SDE++ and TOWOZ, RVO will oversee the bidding procedures and tender rounds for the CfDs and manage the contracts for onshore solar and wind and for offshore wind. As with the correction amounts for the SDE++, RVO will calculate the provisional and final reference amounts annually, based on a method

[7] For offshore wind, a ranking based on support intensity per kWh is preferred, because, unlike solar PV and onshore wind, these are projects with a similar ratio between generation and CO2 reduction.
[8] Parliamentary Papers II 2024/25, 29023, no. 597.

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established PBL. RVO is also the implementing party for advance payments and claims and supervises the fulfilment of the obligations under the contract.

Process
The Government has shared these design choices with PBL. As with the SDE++ and TOWOZ, PBL will provide the Government with independent advice on the maximum submission amounts for the CfDs. To arrive at sound advice, PBL is organising a market consultation, in which market parties can provide input to give PBL a good picture of the costs of renewable electricity projects on- and offshore. The market consultation and advice, as well as, for example, developments regarding TOWOZ and SDE++ in 2026 and developments concerning CfDs in other countries, will be taken into account in the further elaboration of the aforementioned design choices into CfD schemes. This also applies to any points of attention arising from the state aid approval process with the European Commission. The Government will publish the draft CfD regulations, including a draft contract, well before the opening of the public bidding procedure. These draft regulations will be consulted on in the context of the first opening round, before being processed into final CfD regulations. The Government intends to open CfDs in the autumn of 2027. However, the exact timeline also depends on, among other things, the progress of the legislative process and the state aid approval process.
The decision to open CfD schemes is taken in consultation with the Minister of Finance.

In conclusion
With these design choices, the Government aims to create clarity for the renewable electricity sector, which is working enthusiastically on this challenging energy transition. Further elaboration of the CfDs will continue in the coming period. Parties involved are cordially invited to share their response to the design choices with the Ministry of Climate and Green Growth.

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