

## Unlocking the full potential of Ocean Energy for the Blue economy through the Oceans Pact

To ensure the success of the Oceans Pact, horizontal policies must be complemented by sectoral approaches. **The Pact should incorporate sector-specific actions for blue economy industries where Europe holds global leadership.** Two actions are needed to drive the industrialisation of ocean energy, and secure 500,000 local jobs along with many new economic opportunities in coastal communities.

### The Oceans Pact is key to turn Europe's leadership in ocean energy into an industrial success

#### Ocean energy is on the cusp of industrialisation in Europe

The ocean energy industry is at a make-or-break moment in Europe. The recent wave of public funding coupled with high-profile investments from power utilities and oil & gas majors<sup>1</sup> clearly shows that the sector is ready for industrialisation. Europe has a pipeline of 165 MW across 15 farms that are publicly supported by national and EU funding programmes. All projects are slated for installation within the next five years — during this legislative term.

Additionally, national governments committed to deploy or auction a further 490 MW<sup>2</sup> of ocean energy capacity by 2030. This further demonstrates the sector's readiness for large-scale deployment.

#### Europe is the global leader, but the US and China are catching up rapidly

Ocean energy farms have only been deployed in Europe. European companies have built and installed more ocean energy devices than the rest of the world combined<sup>3</sup>.

However, Europe is competing for global leadership in ocean energy. The US has channelled \$591M<sup>4</sup> into ocean energy over the last 5 years, outstripping by far the combined European funding. China targeted the 'massive deployment' of ocean energy in its 5-year plan — supported by generous subsidies and Contracts for Difference.

The Oceans Pact can safeguard Europe's leading position by providing the political and financial support needed to bridge the investment gap and accelerate deployments.

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<sup>1</sup> Ocean Energy Europe, 2023 annual Stats & Trends report, p.20.

<sup>2</sup> This includes 250 MW of tidal energy from commercial calls under France's national energy strategy (PPE3), the 200 MW wave energy target from Portugal's NECP, the 40 MW wave energy target from Spain's Offshore Strategy

<sup>3</sup> Ocean Energy Europe, 2023 annual Stats & Trends report, p.16-18.

<sup>4</sup> Oceans of Opportunity: US Wave Energy Open Water Testing, 2024, p.7.

## One political and one financial action to secure industrialisation

### 1. Set up a high-level ocean energy 'Task Force' to solve the last financial & regulatory hurdles holding back industrialisation

#### A high-level initiative is needed to unlock the power of Member State action

Countries that have put revenue support in place – subsidies per kWh of production – have immediately seen projects flourish and investors commit finances. Yet, political and financial support remains fragmented in Member States, which is becoming the single most important bottleneck for industrial development in Europe. The industry requires both market visibility (e.g. national targets) and revenue support (e.g. a 'Contracts for Difference' or 'Feed-in-Tariff') at national level to accelerate the roll-out of the ocean energy pipeline.

**What can the Commission do:** Set up a high-level Ocean Energy Task Force bringing together the Commission, Member States, regions, industry leaders, and the EIB. A coordinated High-Level initiative is the best way to help Member States realise their potential and unlock the national support required to secure the industrialisation of Ocean Energy in Europe.

This public-private collaboration will increase understanding of the resource, technological progress, and industry potential in Member States. Ultimately, this will accelerate policy and funding support, attract more investment, and boost the deployment of EU/nationally funded projects.

#### How could it work:

- The Task-Force will be co-led by the Oceans & Fisheries and Energy commissioners
- It will define a roadmap to solve well-known financial and regulatory bottlenecks to industrialisation.
- The Task-Force should focus on ocean energy to avoid being overshadowed by established industries with different challenges, as experienced with the EU Offshore Strategy.

#### The Ocean Energy Task Force can achieve high results for both Commissioners at zero financial cost and low political capital

Several projects in the ocean energy pipeline are set to reach financial close within the next 2 years and will be deployed before the end of the Commissioners' term. This guarantees that the Task Force will deliver tangible results for both Commissioners. It's a high-reward, low-risk opportunity.

The Task-Force will deliver on several DG MARE and ENER priorities at once:

- Deliver a new industrial sector 100% made in Europe for the Blue economy
- Progress Maritime Spatial Planning and boost sea-basin collaboration in the Atlantic and the North Sea
- Implement the EU Offshore Strategy's pledge to "coordinate with Member States on funding to achieve the ocean energy targets", which made little to no progress so far.
- Ensure the achievement of the 1 GW deployment target by 2030
- Help Member States to implement the innovation target from the RED III, requiring that "5% of new installed capacity be from innovative renewables in each Member State by 2030"

A similar initiative, the "Ocean Energy Forum", launched in 2014 under Commissioner Karmenu Vella, greatly helped advance ocean energy from prototype to pilot farms – 3 of its 4 recommendations have been implemented since. This updated ocean energy Task-force can take the sector from pre-commercial farm to industrial roll-out.

## 2. Leverage existing public financial instruments to attract private investment

### Ramp up EU-level grant support to keep pace with the US and China

Horizon Europe and the Innovation Fund have been key drivers of progress, and their support must scale with the sector's maturity. Testing and demonstration of wave and tidal devices, including pilot farm calls are where the greatest advances were made and should remain a priority focus.

The Innovation Fund 'Pilot Projects' topic is the only instrument covering the grant funding gap post Horizon Europe for highly innovative technologies like ocean energy. This topic must be preserved, and its budget maintained, to ensure the scale-up of more ocean energy farms.

### Unlock more pre-commercial farms by ensuring returns for investors

Contracts for Difference and Feed-in tariffs, in the UK and France, rapidly unlocked 139 MW of tidal pre-commercial farms. They made projects bankable by attracting investors with stable and predictable returns. Portugal, Ireland, Spain, and France must follow suit by introducing € per-kWh support schemes for wave energy to attract private investment, unlock farm projects, and achieve deployment targets.

### Leverage the EIB to reduce the cost of capital and crowd in private investment

Due to their first-of-kind innovative nature, ocean energy pre-commercial farms have lower bankability than established technologies. As a result, banks demand a higher premium that strains projects' cash flow and limits attractiveness for investors. Loan guarantees can fix this chicken-and-egg situation by facilitating access to debt and reducing the cost of capital. The Commission at the highest level should engage with the EIB to earmark guarantees for the first pre-commercial farms.

Loan guarantees can reduce financial risks for lenders by covering the project's debt obligation to the bank in the event of default. This directly lowers the cost of debt, and the overall cost of capital. Cheaper capital will increase bankability of farm projects, which, in turn, will enable a return for investors carrying the rest of the financing. This will immediately boost private investment.

## 6 reasons why ocean energy can revitalise the Blue economy and boost Europe's competitiveness

- Ocean energy can generate **500,00 jobs**<sup>5</sup> and up to €140 bn<sup>6</sup> of GVA for the European economy. This will provide many new economic opportunities for existing supply chains and traditional sectors of the blue economy.
- Europe is the **global leader** and is best placed to reap the benefits of a global market estimated at €53bn per annum by 2050.
- Ocean energy is **100% Made in Europe**, the first farms report 80% of national local content and the ocean energy value chain is entirely European.
- Ocean energy can deliver 100 GW by 2050 — equivalent to **10% of Europe's electricity** consumption.
- Ocean energy offers a **double security of energy supply** for Europe being an indigenous energy source extracted using devices manufactured in Europe.
- Ocean energy is highly predictable, and **produces at different times from wind and solar**, helping to balance global electricity systems with high penetration of variable renewables.

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<sup>5</sup> ETIP Ocean, 2020, A study into the potential economic value offered to Europe from the development and deployment of wave and tidal energy to 2050.

<sup>6</sup> Ibid.