From fuel supply to project profit and loss

As geopolitical tensions continue to disrupt global fuel markets, Nicolaj Splidt Jakobsen, Head of Offshore at Dan-Bunkering, and Arne Lohmann Rasmussen, Chief Analyst and Head of Research at Global Risk Management, discuss how offshore wind developers can strengthen supply chain resilience, manage fuel price volatility and protect renewable energy projects from escalating operational risks.

PES: A warm welcome to PES. It's great to speak to you both today. The conflict in the Middle East has caused a lot of disruption to global supply chains. Where do you see the biggest impacts on renewable projects related to fuel supply and operations?

Nicolaj Splidt Jakobsen: The impact of the war is not limited to a sector or a geographical area. All industries and all continents will be impacted by the conflict. Companies in the renewables sector must take action to secure their future projects against exposure to supply constraints.

Arne Lohmann Rasmussen: A significant share of global oil and Liquefied Natural Gas (LNG) flows through the Strait of Hormuz. It has in practice been partially or fully restricted at times, and consistently insecure since the initial closure, leaving vessels stranded and reducing available supply to global markets. This type of disruption creates sudden supply shocks rather than gradual imbalances.

NSJ: For renewable projects already in the installation phase, there's a big risk that their fuel budget will be exceeded if the price hasn't been secured in advance. We have seen a major increase in fuel prices worldwide and all regions have been impacted with prices rising by as much as threefold. These old prices have been the benchmark by which companies plan their fuel budgets for ongoing and future projects. This can be a costly mistake for project P&Ls.

ALR: At the same time, the impact is not uniform across energy markets. Refined fuel products such as marine gasoil and diesel are reacting more aggressively than crude oil itself, with price increases of up to 20 to 25% within very short periods during peak escalation. For offshore wind operations, this is critical, as these are the fuels directly used in installation and support vessels.

NSJ: With the increasing cost of fuel and disruption to its availability, the project owners or vessel owners need to consider price vs availability. Betting on a lower cost next week can jeopardise the availability and put your operation at risk of a standstill until marine gasoil is available again.

ALR: Another emerging trend is that countries are increasingly prioritising domestic energy security over global supply flows. Export restrictions and reduced willingness to supply international markets have already been observed, which further tightens availability and increases regional price volatility.

PES: With the disruption in mind, how has the dialogue about fuel changed over the last couple of months?

NSJ: No matter where our peers are in the supply chain and what role they have in the installation or development phase, the dialogue has shifted towards risk mitigation. We encourage our partners to take more control over the supply chain, de-risk their

Nicolaj Splidt Jakobsen

Arne Lohmann Rasmussen

projects and make sure their budgets are not overrun during project execution.

The project itself has multiple moving parts with several subcontractors involved, which are controlled by individual and decentralised stakeholders managing just one part of the chain. Therefore, the dialogue varies a lot depending on who we are talking to.

For subcontractors, the priority is to keep operations running at all costs. Time is critical and reaching milestones on time is an important key performance indicator (KPI). This means for subcontractors the critical topic for the time being is supply security and availability throughout their work scope.

When we are in touch with project owners and developers, the topic is more cost related, as most of the fuel exposure sits with the project at the end. For developers the focus is not only on completing the installation on time or ahead of schedule, but staying within budget will have a positive impact on the project overall.

But ultimately it is a matter of de-risking the part of the supply chain the client is responsible for. Both to support the project in the bigger picture, but also the individual stakeholders and their own position and interest.

ALR: This shift is also evident in broader energy markets. Market participants are increasingly moving from reactive purchasing to proactive risk management, securing both price and supply earlier in the project lifecycle to avoid exposure to sudden market shocks.

PES: It sounds like the focus and decisions are based on different interests, depending on where you are in the supply chain, your role and contractual obligations?

NSJ: That is true. Depending on your role and contractual obligations, you will be focusing on your own KPIs and milestones. I wouldn't say that the stakeholders are working in opposite directions, but sometimes the priorities are different and the project milestones will not always match milestones on subcontractor level. My impression is that this could be streamlined with more transparency when contracts are being negotiated.

PES: That is an interesting point. With the new risks imposed at all levels throughout the supply chain, what can developers and owners do to protect their interests in offshore wind projects?

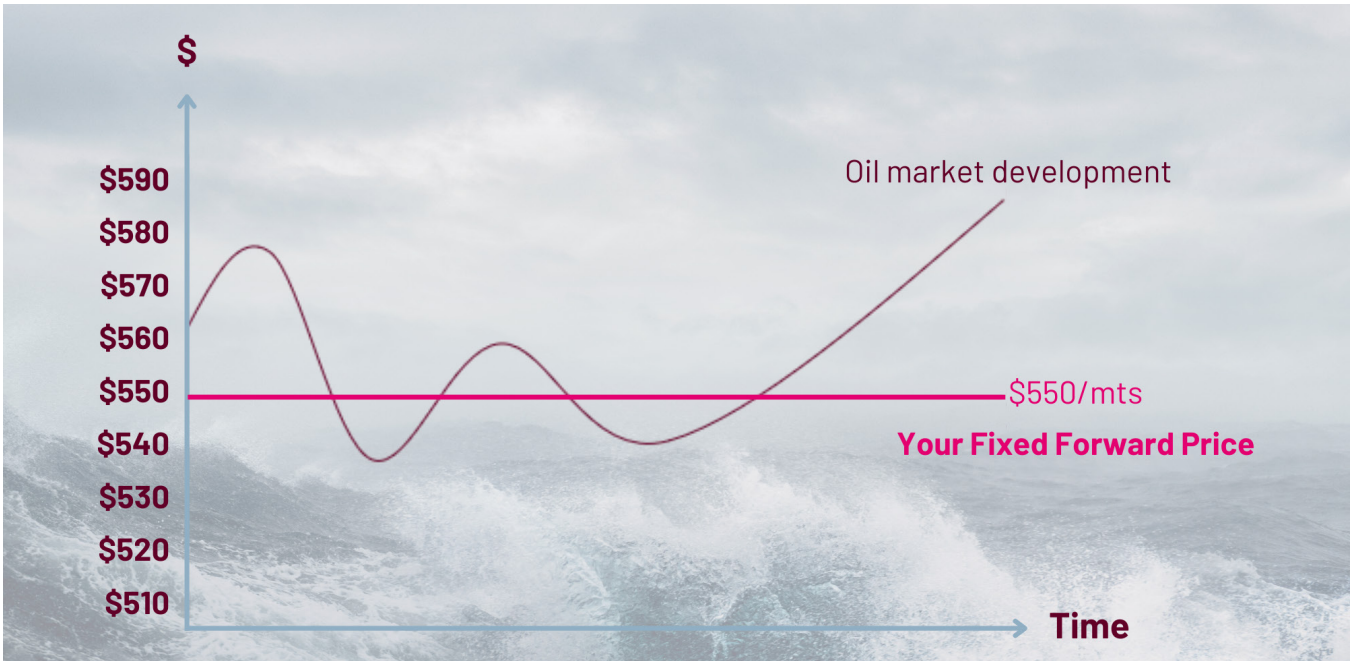
NSJ: Contingency and supply chain security. Secure as much as possible at early stages while planning, de-risk your project profile and limit the exposure to negative impacts from geopolitical events or other factors affecting the fuel and shipping market.

All projects budget for fuel costs. Very few, however, secure fuel contracts and prepare for contingencies in the project planning phase. Those that do plan ahead secure a fuel cost and availability for the project years in advance of commencement. We all know that project plans will experience unavoidable changes. But good fuel planning can build in the flexibility to absorb these changes.

ALR: From a market perspective, contingency planning now needs to go beyond traditional operational risks. Analysis shows that disruptions such as refinery outages, LNG supply interruptions or shipping route closures can impact both price and availability within days. These factors must now be considered part of standard project risk planning.

PES: What does good contingency planning look like in practice, especially when availability, lead times and costs can change quickly?

NSJ: In my opinion good contingency planning is accounting for and preparing to absorb the challenges that will come with changes to the schedule, caused by weather, technical issues, supply chain disruption, geopolitical events and so on. If you enter the installation phase with plan A, B, C and D, you will position yourself better to be proactive when needed, instead of being forced to be reactive only.



As an example, if your plan A for fuel supply suddenly is no longer accessible you are still in a good position, as you already have a plan for alternative supply options to keep your operation running on time, avoiding delay and extra cost. This will ensure your operation is not held up and you don't have to put your activities on hold and the vessel off-hire, which would have a negative impact on your P&L. At the same time, if you have already secured your cost for plan A, B, C and D, your budget figures will not suffer a bigger impact than has already been accounted for.

Those measures can already be taken from the contracts for difference (CfD) when vessel contracts are being negotiated and fuel clauses are agreed in advance with subcontractors, up to project commencement and even during the project itself. We can always incorporate a contingency plan and secure fuel costs, even when the project is already well underway.

In addition to securing as many parts of the fuel supply chain as possible, Dan-Bunkering's turnkey fuel solutions are designed to integrate fuel supply more closely with vessel schedules and port call planning. Through its cooperation with Clarksons Port Services, this can also connect fuel delivery with wider logistics support, including agency, freight forwarding, stevedoring and warehousing, helping to reduce delay risk and improve operational efficiency.

PES: How can insights from the oil market help offshore wind operators better understand risk, pricing and supply security?

ALR: Energy markets are now highly interconnected. Disruptions in LNG supply, refining capacity or shipping logistics can quickly spill over between gas, oil and fuel markets. For offshore wind operators, this means fuel risk cannot be viewed in isolation. Shocks in one part of the system can rapidly translate into an impact on cost and availability elsewhere.

NSJ: Understanding the oil market and its mechanisms enables you to better navigate and capitalise on the potential opportunities presented by market volatility. At the same time, it positions you to make informed decisions that support and protect your work scope, helping you achieve your KPIs and milestones effectively.

Having the right partners is essential to supporting your projects and navigating changing market conditions. In addition to the continuously evolving oil market, new regulations will impact the offshore industry from 2027 onwards, with both the EU Emissions Trading System (EU ETS) and UK Emissions Trading Scheme (UK ETS) affecting ongoing and upcoming projects.

As a project owner or developer, you need to know how to deal with the upcoming regulations, and again I can only encourage our clients to start considering how to position themselves towards the ETS and make sure they are set up in the right way to avoid extra costs that could have been accounted for at an earlier stage.

PES: Based on events in the Middle East, do you foresee a change to the pipeline of renewable projects in Europe?

NSJ: The lead time from tender rounds to licensing, CfD, Final Investment Decision (FID) and ultimately project commencement is lengthy, and I find it difficult to see how this can change significantly in the short term. At the same time, there is only a limited number of capable and available assets, which may eventually create bottlenecks in terms of availability.

In addition, sufficient port infrastructure is required to support offshore wind farm projects. Developing the necessary facilities and capabilities takes time.

One positive outcome could be a reassessment and optimisation of the tender process leading up to projects, making it more efficient and thereby shortening the timeline from licensing to project commencement. This would help accelerate support for the European power grid and strengthen long-term independence from fossil fuels.

PES: Finally, what should wind farm operators be doing now to strengthen their approach to energy price and supply chain security?

ALR: Today, many risks, such as geopolitical risks, cannot be hedged or insured. This means wind farm operators must focus more deliberately on the risks that can be effectively managed.

One key priority is working with strong, reliable and creditworthy counterparties to strengthen supply chain security. With volatile commodity prices, significant financial pressure can be placed on suppliers, increasing the risk of disruption. Where possible, it is therefore important not only to secure supply but also to secure pricing.

In a market where volatility is increasingly driven by geopolitical events rather than fundamentals, price certainty becomes not just a financial consideration but a strategic tool for protecting project viability. Operators who combine supply security with effective price hedging are significantly better positioned to manage both cost overruns and operational disruptions.

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