



## KPMG's cost analysis of the energy island confirms unprecedented market prices for HVDC and states that Elia's technical choices are in line with the market

**BRUSSELS | At the request of Elia Transmission Belgium's Audit Committee, KPMG is examining the cost estimates and price developments linked to the Princess Elisabeth Island. Its analysis focuses on the information and assumptions that led to certain budget decisions. In an interim report, KPMG identifies various factors that explain the difference between the initial cost estimates in 2021 and the current cost assessment for the island. In addition to some design changes, the increase in the budget has primarily been caused by market changes. As grid operator Elia has already indicated, KPMG's analysis also notes that the price of high-voltage direct current (HVDC) infrastructure has significantly increased.**

In addition to the project's budget being analysed, KPMG also reviewed the project's technical aspects. The island's design as it stood in 2024 has been compared to its design in 2021. KPMG's analysis points to several significant design changes that, if implemented together, would increase the total cost of the project by €1 billion. Design changes of this kind are not uncommon during a project's development phase. KPMG also notes that Elia has carefully weighed up the expected costs and benefits of each adjustment. Furthermore, the cost increase is proportionally comparable to what is typical for other offshore transmission networks.

The capacity of the HVDC system has been changed from 1,400 MW to 2,000 MW to comply with the new market standard. Additionally, a so-called 'single-node' configuration has been chosen, which allows for operational flexibility and provides the offshore high-voltage grid with the same level of security of supply as the level enjoyed by the onshore grid.

### No unilateral decision

Elia emphasises that the aforementioned adjustments were not made unilaterally. The Grid Design was approved in July 2023 by the Belgian Federal Government; at the time, the government was aware of the €3.6 billion budget that took into account the underlying technical choices. Since then, the budget for the project has roughly doubled. This is mainly due to a combination of inflation, rising material costs, and a scarcity of HVDC infrastructure.

### Delay of HVDC contracts keeps all options open

Due to this unprecedented price increase, Elia recently announced — after close consultation with the authorities — that it would postpone the decision relating to the HVDC contracts. As the project is of great strategic importance for Belgium and will be crucial for the country's electricity supply over the coming decades, Elia is aiming to keep all options open by delaying this decision. Elia is calling for a calm debate to be held about this and is ready to fully cooperate with the involved parties to weigh up different concepts and implement appropriate accompanying measures.

### **Construction of island and AC contracts continue unabated**

The Princess Elisabeth Island is one of the most important projects of the Federal Development Plan for the Belgian high-voltage grid, which was approved by the federal government in 2023. Elia is carrying out the project in line with the appropriate legal framework, but is aware of growing concerns about the increased cost of HVDC technology. Meanwhile, the construction of the foundations of the artificial island and the implementation of the previously signed alternating current (HVAC) contracts continue unabated. These will ensure the realisation of two (700 MW + 1,400 MW) of the three planned offshore wind farms. Thus, 60% of the new Princess Elisabeth Zone is already being implemented.

## About Elia Group

### One of Europe's top five TSOs

Elia Group is a key player in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. Through our subsidiaries in Belgium (Elia) and the north and east of Germany (50Hertz), we operate 19,460.5 km of high-voltage connections, meaning that we are one of Europe's top 5 transmission system operators. With a reliability level of 99.99%, we provide society with a robust power grid, which is important for socioeconomic prosperity. We also aspire to be a catalyst for a successful energy transition, helping to establish a reliable, sustainable and affordable energy system.

### We are making the energy transition happen

By expanding international high-voltage connections and incorporating ever-increasing amounts of renewable energy into our grid, we are promoting both the integration of the European energy market and the decarbonisation of society. We also continuously optimise our operational systems and develop new market products so that new technologies and market parties can access our grid, thus further facilitating the energy transition.

### In the interest of society

As a key player in the energy system, Elia Group is committed to working in the interest of society. We are responding to the rapid increase in renewable energy by constantly adapting our transmission grid. We also ensure that investments are made on time and within budget, with a maximum focus on safety. In carrying out our projects, we manage stakeholders proactively by establishing two-way communication channels between all relevant parties very early on in the development process. We also offer our expertise to different players across the sector in order to build the energy system of the future.

### International focus

In addition to its activities as a transmission system operator, Elia Group provides consulting services to international customers through its subsidiary Elia Grid International. In recent years, the Group has launched new non-regulated activities such as re.alto - the first European marketplace for the exchange of energy data via standardised energy APIs - and WindGrid, a subsidiary which will continue to expand the Group's overseas activities, contributing to the development of offshore electricity grids in Europe and beyond.

The legal entity Elia Group is a listed company whose core shareholder is the municipal holding company Publi-T.

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