

Bornholm Energy Island: An Economic Catastrophe in Slow Motion

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In a forthcoming report, we examine the arguments supporting the Bornholm Energy Island. We find that most of the arguments, both pecuniary and non-pecuniary, are relatively weak. Initially, the project was expected to be profitable, but a recent analysis by the Danish Energy Agency indicates it will need 31.5 billion kroner in state aid. However, Danish politicians have capped this aid at 17.6 billion kroner. Despite this significant discrepancy, Danish authorities have begun tendering the construction and operation of the project's infrastructure.

This situation presents a substantial process risk going forward: as more tenders are awarded, the financial burden on Danish taxpayers increases. What if the Danish Energy Agency's estimate is correct and the aid cap is exceeded? Will politicians abandon the project, canceling all contracts and leaving taxpayers with a massive bill but no energy island? Or will they ignore the aid cap?

We outline a political process fraught with a high risk of failure.