

News Release

Canterbury, UK, 3rd August 2009

€21.6 billion to be invested in offshore wind power

Douglas-Westwood have today launched the latest edition of their World Offshore Wind Report which highlights significant growth but also the problems of fast-rising costs and the difficulties being faced in project financing.

The industry is now showing the growth and market development long-promised, with record levels of capacity now under construction. Strong growth in deployment rates will be seen in the years ahead, but levels of installed capacity peak in 2011, with a small decline in 2012 and 2013.

According to DWL's The World Offshore Wind Report 2009-2013, launched today, offshore wind will see €21.6 billion of capital expenditure in the coming five year period to 2013 as 6.6 GW of new capacity is installed globally. With just over 1.5 GW of capacity online at present, this represents significant market growth and will lead to an annual capital expenditure of over €6.2bn at peak.

Of the biggest markets, the UK is dominant with 3 GW of new capacity forecast to 2013 – a market worth €10.7bn. Long-term prospects are good with Round 3 of offshore wind licencing underway. Recent changes to the ROC mechanism have resulted in projects finally moving forward which had struggled to be signed off due to poor returns in light of cost rises. The temporary boost will, however, have mixed effects and add upward pressure to costs throughout the supply chain.

Germany is to be the second biggest player in the period, installing over 1.5 GW of capacity. Strong market mechanisms and the recent grid connection agreements have helped Germany finally kick-off what will be one of the biggest markets in the world for the next decade. Strong supply chain development has already taken place and the country is gaining significant value from offshore wind despite not yet having any commercial projects completed.

New projects off Denmark currently under construction and tendering will see the country add a healthy 857 MW of new capacity in the period. Longer-term potential here is identified as very strong. Benefiting from good wind resources in shallow waters, offshore wind development on a large scale is achievable at a bankable cost.

First commercial activity is now ongoing outside Europe off China, with the first major project almost completed there. Fast development times will help the country grow quickly. The report also highlights Chinese procurement for European offshore wind projects.

The US has made great progress through the new administration to establishing the necessary mechanisms to allow offshore wind projects to be developed. Supply chain development must now follow suit and work is needed in procurement, installation and logistics.

Speaking about the new report, Renewable Energy Manager, Adam Westwood commented “the industry is now seeing major projects entering into construction and tendering taking place for projects three-to-four years ahead. The start of the next decade will be challenging as the industry tries to sustain itself in the face of costs which have been spiraling.

The widespread shift to project financing by even the biggest utility companies has been a significant sign of the difficulties being seen. The subsequent struggle to raise finance from banks and private equity is of concern. In part, this can be attributed to the economic downturn and increased cautiousness amongst the investment community. More significant is the lack of viability that is now being seen in some projects due to industry cost increases.

With investment having been made in the supply chain, the supply-demand situation should ease, with greater competition ultimately being found between contractors. On the reverse side, however, sites are becoming more challenging in deeper and more distant waters and this is being seen to increase costs.

ENDS

The World Offshore Wind Market Report 2009-2013 is available as a PDF (single or multi-user licences) or hardcopy format. Please contact publications@dw-1.com or call +44 1227 780999 for more details and prices.

Douglas-Westwood provides advisory services as complementary partners to our clients worldwide as part of their strategic planning process. We develop and test advanced competitive strategies for new products, new business streams, mergers and acquisitions, through market insights, modelling and simulation. Our research-based approach has been used by clients considering the future direction of their business from a number of perspectives – financial, customer value enhancement, or internal operations.

Douglas-Westwood is a leader in market analysis and transaction support in the energy sector, with recognized expertise in offshore oil and gas exploration and production, as well as wind and tidal power. The company's market survey, research, analysis and strategy services are used by clients in 60 countries with over 580 assignments completed since formation in 1990.

For further information please contact us:

Head Office
Douglas-Westwood Limited
St Andrew's House
Station Road East
Canterbury CT1 2WD
United Kingdom

energy business analysts

douglas-westwood.com

t: +44 (0)1227 780999
f: +44 (0)1227 780880
e: publications@dw-1.com