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Cheaper offshore wind farms in sight

A new report by Deloitte indicates that the cost of building and operating offshore wind farms can be reduced significantly.

The Danish Ministry of Climate and Energy publish today a report compiled by Deloitte indicating that the cost of building and operating offshore wind farms can be reduced significantly. Also being released is a report about the guidelines for building coastal wind turbines and an updated version of where future offshore wind farms will be built. Taken together, these three publications can serve as the foundation for the country's continued expansion of offshore wind power.

The Deloitte report, based on the 2010 tender for Anholt Offshore Wind Farm, is an analysis of how competition in the offshore wind power area can be increased, and a lower consumer price achieved. The study concludes that there is broad support for the Danish tender model among relevant parties, just as the process of working with Danish authorities and connecting to the power grid were viewed positively by potential investors in Danish offshore wind farms. But the report also found that inflexible guidelines in the Anholt Offshore Wind Farm tender contributed to a higher settlement price. One example singled out by the report was the threat of drastic fines and short deadlines. Moreover, the tender also occurred at a time when the production of wind turbines and foundations could not keep pace with increasing demand, particularly in Germany and the United Kingdom.

Deloitte forecasts that the price for building and operating offshore wind farms, despite the increasing demand for offshore wind turbines, can be cut by between 25% and 30% by 2020, given the right framework guidelines and tender conditions. Applied to the planned Kriegers Flak Offshore Wind Farm, this calculation would result in a settlement price of between DKK 0.781 and DKK 0.979/kWh. The settlement price for Anholt Offshore Wind farm is currently DKK 1.051/kWh.

The report recommends that the tender be altered to permit a greater dialogue with potential bidders, and to allow for information about the tenders to be spread internationally. Deloitte's report is based on interviews with individuals from a number of energy companies, investors, and public agencies, and takes into account other countries' experiences building offshore wind farms, as well as an evaluation of the competitive conditions within the offshore wind sector.

Climate and Energy Minister Lykke Friis says:

"Now we have the tools necessary for setting the guidelines for future tenders for offshore wind farms, so we can secure the lowest possible consumer price. The next step will be to ask the Danish Energy Agency to use the information contained in the report to develop guidelines for future tenders. It goes without saying that we look positively on the prospect of considerably lower prices for offshore wind power as we move towards 2020. This serves to underscore that the Government has set the right course with its Energy Strategy 2050, and by suggesting a tender for the Kriegers Flak Offshore Wind Farm calling for it to begin operation between 2018 and 2020."

Also being released today is an Energy Agency report looking at the conditions for coastal wind turbines and small-scale wind farms, and an update of the Offshore Wind Turbine Committee's report on the site of future wind turbines.

The coastal wind turbine report recommends that research and demonstration projects be prioritised when determining the placement of 400 MW of coastal wind turbines in the coming years. Much of the capacity, however, is expected to be allotted to production wind turbines. A study will be carried out to identify the coastal areas best suited for the placement of wind turbines. Construction of offshore wind farms will be put out to tender in order to ensure that the best project is chosen at the lowest price.

The Offshore Wind Farm Committee's report confirms that the placement of the 600 MW Kriegers Flak Offshore Wind Farm in the Baltic Sea is the best location for Denmark's next major offshore wind farm. Kriegers Flak Offshore Wind Farm is already included in the Government's energy strategy.

Climate and Energy Minister Lykke Friis says:

"The three reports are a solid foundation for making decisions about expanding our offshore wind power capacity. The reports have been presented to parliament today and I'm looking forward to the political discussions they give rise to."

An English summary of the Deloitte report and two background reports are available in English from the [Ministry of Climate and Energy](#) and the [Danish Energy Agency](#). The report on conditions for coastal wind turbines and the updated report from the Offshore Wind Turbine Committee are only available in [Danish](#). All three reports will be presented at a future meeting by the Danish Energy Agency where the wind power industry and potential investors will be invited.

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[Deloitte: Analysis on the furthering of competition in relation to the establishment of large off-shore wind farms in Den...](#)

[Deloitte: Background report 1: Analysis of framework conditions in key EU countries](#)

[Deloitte: Background report 2: Analysis of competitive conditions within the offshore wind sector](#)

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The Danish Energy Agency is responsible for tasks linked to energy production, supply and consumption, as well as Danish efforts to reduce carbon emissions. The Agency is also responsible for supporting the economical optimisation of utilities that in addition to energy includes water, waste and telecommunication.

We are also responsible for user conditions, supply obligation and telecommunication statistics, as well as water supply and waste management.

The Danish Energy Agency was established in 1976, and is an agency under the Ministry of Climate, Energy and Utilities.

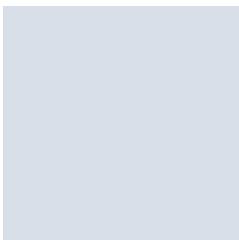
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