

## **New report charts path to offshore wind cost competitiveness**

28<sup>th</sup> March 2017: A new report published today by the International Energy Agency's Renewable Energy Technology Deployment programme (IEA-RETD) highlights the importance of effective policy in stimulating deployment and driving cost reduction in the offshore wind sector. Following a year of record breaking auction prices in the Netherlands and Denmark, the study identifies the key success factors that have supported a burgeoning industry in Europe, drawing lessons learned for both policy makers and industry players.

The report, delivered through a collaboration between the Carbon Trust, Mott MacDonald, and Green Giraffe, projects that global offshore wind capacity is set to increase threefold in the period from 2015 to 2020, marking a period of industry maturation as costs fall and new offshore wind markets emerge, both within and beyond Europe. Cost reduction of 60% from 2010 to 2017 indicates that industry targets for 2025 have been exceeded 8 years ahead of schedule, suggesting that offshore wind could potentially be fully integrated into the market on a competitive basis in some European countries within the next decade. However, the report suggests that a more cautionary approach is expected in new markets with less established industry structures, such as the United States and East Asia.

Analysis of the evolution of regulatory frameworks identifies several examples of best practice, underpinned by the need for political stability and visibility of market scale and support mechanisms. Notable recent policy trends include the introduction of competitive auctions and centralised development models, in which government bodies take on a greater role in the development process.

These trends are seen to be having a considerable impact on the risk profile for developers, with increased allocation and price risk countered by reduced development and technical risk. In combination, this is resulting in lower perceived risks from the finance community due to growing confidence in the ability of developers and the supply chain, with offshore wind increasingly considered an attractive investment opportunity for a more diverse range of actors.

David de Jager, Operating Agent for the IEA-RETD, said: “This report is a must-read for policy makers and industry stakeholders in established and emerging markets to understand the key factors of successful offshore wind deployment. The numerous case studies and detailed recommendations give valuable insights that show the state-of-the-art of this promising renewable energy sector”.

Rhodri James, Manager at the Carbon Trust, commented: “The offshore wind industry is a major success story, as demonstrated by the steep cost reduction achieved in recent years. The progress made has been underpinned by supportive policy frameworks, but continued support is necessary to drive long-term cost reduction and open new markets for offshore wind on a global scale. This report highlights a number of lessons learned that can serve as best practice for policymakers.”

Christos Kolliatsas, Divisional Director for Hydro and Renewables at Mott MacDonald, commented: “Offshore wind is moving to the next stage of its evolution as evidenced by the results of recent auctions. The significant cost reductions observed will further bolster its standing as a key contributor to the European energy mix, while also enabling it to become truly global. This report is invaluable in highlighting the current state of play and key lessons learned to further support policy making.”

Jérôme Guillet, Managing Director at Green Giraffe, noted: “With its current track record and demonstrably lower production costs, offshore wind has a bright future, in Europe and elsewhere. Like all infrastructure activity, it combines high upfront investments with low operating costs, and requires a solid regulatory framework to ensure that early development can be fostered and that industrial maturity can be reached quickly. This report shows what has been done in the past and what worked. As such, it is a precious policy tool and thus a document that will directly help the industry.”

Recommendations for policymakers and industry players include:

- Governments should re-evaluate their offshore wind ambitions in light of accelerated cost reduction

- Governments should consider implementing near-term roadmaps to hedge against long-term uncertainty
- Competitive auctions can drive down costs, but should be accompanied by government de-risking activities
- Governments and industry players should continue investing in technology innovation to achieve long-term cost reduction
- Industry players should embrace collaboration to share the cost and risk of delivering large-scale projects and undertaking R&D activities
- Industry players should engage more with the public to highlight successes and improve the public perception of the offshore wind industry

The full report can be accessed here: <http://iea-retd.org/archives/publications/rewind-offshore>

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#### **About IEA-RETD**

The IEA Renewable Energy Technology Deployment Technology Collaboration Programme (IEA RETD TCP) provides a platform for enhancing international cooperation on policies, measures and market instruments to accelerate the global deployment of renewable energy technologies.

IEA RETD TCP aims to empower policy makers and energy market actors to make informed decisions by: (1) providing innovative policy options; (2) disseminating best practices related to policy measures and market instruments to increase deployment of renewable energy, and (3) increasing awareness of the short-, medium- and long-term impacts of renewable energy action and inaction.

For further information please visit: <http://iea-retd.org> or contact [info@iea-retd.org](mailto:info@iea-retd.org).

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- We measure and certify the environmental footprint of organisations, supply chains and products.
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