

ML Strategies' Energy & Environment Update: Week of 7/14/2014

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During the past several years, Europe has installed about 2,000 offshore turbines (6,500 MW of offshore wind generation capacity), with capacity doubling since 2010. Offshore wind provides almost 1% of total power in Western Europe, about five times what solar generates in the U.S. Growth isn't limited to Europe: China has installed 428 MW since 2007 and Japan has deployed floating turbines near Fukushima. And yet the only operating offshore wind project in the United States is a small 1/8 scale demonstration turbine in Maine. Is the rest of the world leaving the U.S.'s offshore wind industry behind for good?

Over the past several months, a series of developments suggests the U.S. offshore wind market is poised for expansion. The fully-permitted Cape Wind project, which has faced years of litigation from well-financed opponents, won another round in a series of legal challenges, clearing the way for financing and construction. The Department of Energy also announced a \$150 million conditional loan guarantee for the project. (Though, with Cape Wind's project costs estimated at \$2.5 billion and only about half of that secured so far, the DOE guarantee will cover only a small part of the final deal, though it could help leverage additional private funds.) After receiving all of its state permits earlier this year, Deepwater Wind is awaiting action from BOEM on a final permit. With that approval in hand, Deepwater can begin physical construction on its 30 MW project. Manufacturing components for the project began last year.

The DOE also announced in May \$140 million divided between three offshore wind demonstration projects incorporating new technologies that the agency hopes will lower capital and operating costs. All three of the projects utilize emerging direct drive technology that eliminates a gearbox. Fishermen's Energy of New Jersey and Dominion in Virginia will demonstrate new twisted jacket foundations and Principle Power in Oregon will deploy a floating foundation.

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