DONG Energy and offshore wind in Taiwan

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The government of Taiwan has so far seen strong interest from investors and developer for its nascent offshore wind programme.

Macquarie Capital and DONG Energy recently signed an agreement to acquire equity stakes in the Formosa 1 offshore wind project, located off the coast of Miaoli County in western Taiwan.

The new owners of Formosa I are Macquarie Capital (50%), DONG Energy (35%), and Swancor Industries (15%). The project is still under construction and DONG Energy will now provide advisory services to Swancor which will continue to lead the project through site development and construction.

DONG Energy, the world's biggest developer of offshore wind farms, plans on developing four offshore wind parks in Taiwan's Changhua area with a combined capacity of at least 2GW.

The Danish utility is undertaking an environmental impact assessment (EIA) on four sites off Changhua County, where Taiwan's Ministry of Economic Affairs (MOEA) has identified a total of 21 sites. Overall, the ministry has plans for 36 offshore wind sites.

And upstream energy firm Enterprise Energy has launched its first offshore wind farm project in the Taiwan Strait. The Hai Long Offshore Wind Farm is a joint venture between Enterprise's wholly-owned subsidiary Yushan Energy and Canada-based Northland Power. Yushan – which owns a 40% stake – has "exceptionally experienced" professionals in its team and has also bought on board several Taiwan-based contractors to add further expertise.

Taiwanese energy company Taipower selected Niras and Sinotech as client advisers for a 100MW offshore wind farm. The project is Niras's seventh in Taiwan (the others being land-based projects). Taipower has signed a contract with Niras and Sinotech, its local adviser, for client advice for the Changhua offshore wind farm, with construction due to begin in 2018.

High Hopes for Taiwan's Strait

"If you asked me two years ago about investment in Taiwan's offshore wind industry, I would say that there wasn't as much interest back then. But in the last six to eight months we have seen interest from major investors and many different global stakeholders who are really looking into the industry, and even investing now," said Edgare Kerkwijk, the managing director for Asian Green Capital Partners and a board member for The Asia Wind Energy Association.

Perhaps one of the main reasons for the recent uptick in interest in Taiwan's offshore wind energy is strong government support. In July of 2009, Taiwan promulgated the Renewable Energy Development Act. The core strategy of the act is a feed-in-tariff system. The government also created a document called “Regulations of the Application and Approval of Subsidy of Electricity Generated by Renewable Energy” that make it clear on how to get projects approved.

In 2016 the government also pledged to increase renewable power to 20% of total electricity generation by 2025, and wind power is expected to make up about 40% of that renewable energy production. This should give investors some comfort that government has long-term commitment to the sector.

Matthias Bausenwein, the general manager of APAC for DONG Energy, said that the government’s incentives gives him the confidence to invest long-term in the Taiwanese offshore wind energy market.

“The feed-in-tariff is necessary in a market creation phase that we are in. It creates long-term visibility, and it helps trigger the first few gigawatts in Taiwan” said Bausenwein. “I am positive in the framework that the government has created,” he added.

First mover advantage

But there are risk involved that major companies are aware of, and some companies are waiting to watch on what happens to the first movers.

Matt Bubb, a partner at Ashurst, said: “There is an element of businesses not wanting to be a first mover and see what happens. There are a lot of parallels with the UK. Naturally people would be a little more cautious in Taiwan. DONG has more experience there, but I think some firms are waiting to see what happens, and that is one of the key issues.”

Among other risks facing potential investors is a lack of a suitable hub harbour and a lack of manufacturing experience and required facilities.

First movers will be rewarded for assuming these risks by benefiting from stronger potential returns. Sources says that in 2017, when the rest of the plots are confirmed for the developers, incentives will drop, and possibly drop significantly.