

Ørsted's sale of 50% stake in Deepwater Wind

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Earlier this month (February 2019) Ørsted and Eversource Energy agreed to collaborate on US Atlantic coast offshore wind projects in a deal worth roughly \$225 million – for the second time.

The new partnership builds on an agreement from just over two years ago to develop as much as 2GW off the coast of New England.

This latest deal will see the Danish wind developer and New England utility partner on two offshore wind projects in the PPA negotiation stage, in addition to two undeveloped leases.

Martin Neubert, executive vice-president and chief executive of offshore wind at Ørsted, highlighted the motivation for the deal saying: “More than ever, the US offshore wind market has great growth potential with several states committing to significant buildout volumes.”

While some have conjectured that bringing in a domestic US power utility on a foreign-led project was a political manoeuvre, Ørsted and Eversource's partnership does in fact follow a typical pattern of developing projects before selling down equity to investors.

Blast from the past

Denmark's Ørsted – [formerly DONG](#) – is a key offshore wind developer globally. In 1991, it built the world's first offshore wind farm, the 4.95MW Vindeby in the Danish Baltic Sea. Vindeby was decommissioned in 2017 after producing 243GWh of power over its lifetime. Another early DONG offshore wind project was the 5MW Tunø Knob in the Bay of Aarhus, commissioned in 1995.

Eversource, meanwhile, is a publicly-traded energy company supplying electricity and natural gas to around four million customers across Connecticut, Massachusetts and New Hampshire.

The deal in February (2019) saw Ørsted sell a 50% stake in the offshore wind portfolio it acquired last year (2018) as part of its [acquisition of Deepwater Wind](#), to Eversource. The transaction mirrors a similar deal struck by Ørsted and Eversource in 2016 for the Bay State Wind lease, an ambitious project off the coast of New Jersey that marked Ørsted's first venture in the US.

The 300-square-mile site, located 25 miles off the Massachusetts South Coast and 15 miles off the coast of Martha's Vineyard, was the ninth competitive lease sale by the US Department of Interior's Bureau of Ocean Energy Management (BOEM).

The Bay State Wind lease was eventually won by RES Americas Development in 23 March 2015. Ørsted [acquired the](#)

[project rights](#) from RES shortly afterwards, in April 2015.

In December 2016, Eversource and Ørsted announced they would be [partnering on the project](#), and at the time announced that the minimum capacity of the Bay Wind project had doubled to at least 2GW.

The Bay Wind partnership entails a 50:50 split on developing, constructing and operating the utility-scale wind farm. It is understood that Eversource's expertise in transmission infrastructure in the region was a factor in the company being selected for the partnership.

A second wind

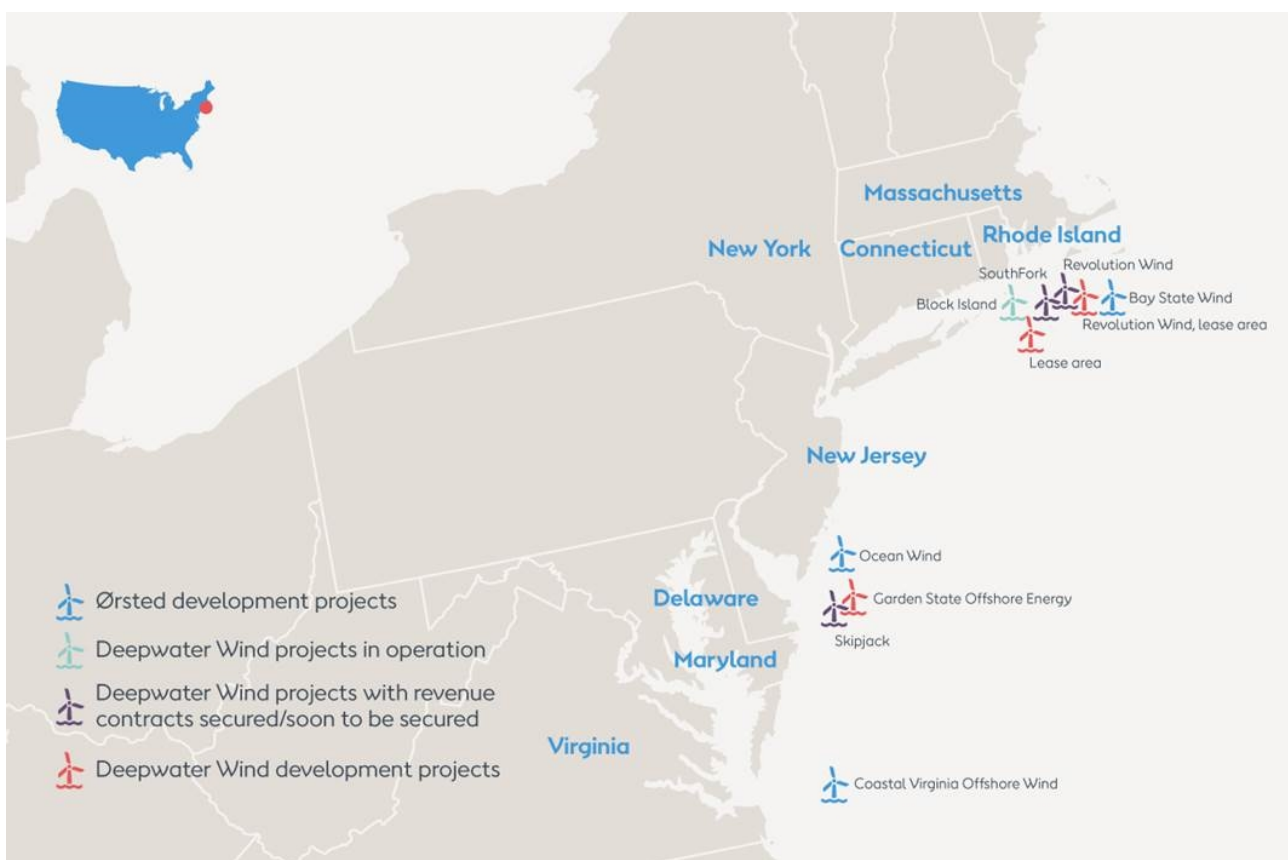
The origins of Ørsted and Eversource's latest joint venture stretch back some 10 years.

US offshore wind developer Deepwater Wind was initially largely owned by New York-based investment manager D.E. Shaw Group. The company had been active in the US offshore wind market since 2008, when it obtained a procurement from Rhode Island.

Ørsted entered into [an agreement](#) with D.E. Shaw Group in October (2018) to acquire a 100% stake in Deepwater Wind for \$510 million. The transaction created a new Ørsted subsidiary – Ørsted North America, the largest wind developer in North America.

Deepwater Wind had a 3.3GW portfolio of assets comprising:

- 30MW Block Island Offshore – the first operational offshore wind farm in the US. Its origins can be traced back to 2008, and involved a long, arduous process to [secure financing](#), with the projected completion dates being deferred on numerous occasions
- 704MW Revolution Wind – contracted to deliver power to Connecticut (304MW) and Rhode Island (400MW), commissioning expected in 2023
- 120MW Skipjack, Maryland
- 130MW South Fork, New York – commissioning expected in 2022-23
- Massachusetts North and Massachusetts South – two undeveloped New England leases with up to 1GW



The Revolution Wind and South Fork projects will be built in one “construction train” in order to unlock scale advantages.

Ørsted's advisers on the Deepwater Wind deal were:

- Ernst & Young – financial
- Norton Rose Fulbright – legal
- Deloitte – tax
- K2M – technical

The transaction completed in November (2018).

Then, within a few month of Ørsted closing on the acquisition, Eversource [bought](#) a 50% shareholding in each of the Deepwater acquisitions (Block Island Offshore, Revolution Wind, Skipjack and South Fork).

Eversource will leverage its expertise in transmission in the partnership, in addition to sharing development, construction and maintenance costs.

Advisers on the deal included:

- Linklaters – Ørsted's legal

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