IJGlobal
A Green Street Company

Let battle lines be drawn… some more

Angus Leslie Melville

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Having penned a few words for our marketing team to plug our splendid data offering, 2 thoughts occurred… renewable energy comes second to oil and gas in Q1… and why am I doing their jobs for them.

Let's put O&G aside for the moment as just yesterday we were writing about the Irish offshore wind programme with 4 projects given the provisional green light – the 1.3GW Codling Offshore Wind Farm, 824MW Dublin Array, 500MW North Irish Sea Array (NISA), and the 450MW Sceirde Rocks.

That's 3GW more in play in Ireland alone with a timeline to see them operational in 2028 (broadly speaking) which is just 5 years away (for the mathematically challenged).

Again, we're seeing a realignment across the infrastructure industry as the renewable energy market finds a "new normal" while the whole delivery stack takes a deep breath and ponders how the hell it's going to deliver the ambitions of so many nations with green energy agendas.

At IJ, we have since the start of the century singled out renewable energy as a category of its own, recognising that it stands separate and warrants individual coverage. This has stood us in good stead as it has ramped up in importance (not quite O&G this last quarter!) and it's gathering pace… possibly too much pace.

When you look at the pipeline for greenfield renewable energy projects on a global basis across the primary sectors – solar PV, onshore wind, offshore wind – you can't help but go a little bit weak at the knees.

Everyone loves opportunity… but a surplus of opportunity can be every bit as damaging as paucity.

Talking to folk around the industry this week, you mention the plethora of opportunity and the pinch points and everyone responds the same way… prices are going to head north.

And when you start talking about prices going up, well, it's only a matter of time before the inevitable complaints start pouring in over quality as new entrants join the fray with cheap and cheerful alternatives.

Alternatively, it might drive more R&D investment and we may see some interesting developments in the likes of perovskite solar cells, among others. Let's face it, we all see so many daily posts on LinkedIn announcing tech developments in the renewable energy space that it's hard to keep up… and possibly easy to be overtaken!

Chatting with an old chum this week, I was worried to hear of a discussion held with a “leading developer” who was of the opinion that the Asian battery supply chain is so focused on the automotive market that it has a 2-year lead time for long duration batteries for solar PV application.

Now that’s worrying. And what’s even more worrying is that – after a moment’s reflection – it makes sense.

And what stands true for the PV sector, stands true across the entire renewable energy sector – supply chain issues abound and it’s only going to get worse.

Switching back to offshore wind for a moment, something I mean to write an editorial about (likely after getting back from Corfu) is the pinch point in the offshore vessel sector. This is a really interesting issue that is occupying the mind of one source this week.

As this industry professional puts it, “fewer and fewer legacy O&G vessels can cope with the scale of 15MW+”. Oh my. That’s worrisome, and there’s a lot more to be said on the shipping front… but that’s a story for another day.

There are issues on the HVDC cable front – we need more, and a lot of it. On turbines, they keep building bigger units to reduce the levelised cost of electricity generations and orders are being placed 4 years out for wind farms that are still on the drawing board (paying for an option before realising it’s dead equity for longer than expected until the project is first in the queue). And then installation vessels won’t be able to cope with the humungous turbines they will be expected to carry.

Add to that the problem that as levelised costs have continued to fall due to developers bidding ever lower to secure projects… not only is the scale increasing, but margins in the supply chain are being squeezed.

Turbine manufacturers have consolidated down to a handful… if you lost a couple of fingers making a rude gesture to a French knight… and 2 of those are in the red due to securing market share in a competitive market that has ever-reducing margins while also investing massively in R&D to create Franken-turbines.

It’s a bloody nightmare. Let’s hope the US market falls on its face, or we’re all stuffed.

Thank goodness I’m about to go on holiday. Corfu here I come.