

Roaring 40s: Big Wind Down Under

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On a remote northern tip of the west coast of Tasmania lies one of Australia's largest wind projects

The Woolnorth development - which is owned and operated by the China-Tasmania joint venture Roaring 40s (R40s) - has been producing power since 2003.

With construction of its 75MW third phase expansion about to wrap up, the overall facility will soon have an operating capacity of nearly 140MW.

Financing the Studland Bay Expansion

Woolnorth's Studland Bay project closed financing on 7 March 2007 - only a few weeks after R40s announced 19 of the expansion's 25 turbines were already up and operating.

As with phase one and two of the Woolnorth development, National Australia Bank (NAB) provided a Aus\$90-95 million (US\$75-79m) debt facility for the Studland Bay wind farm.

This amounted to roughly the same deal R40s got financing the original Woolnorth project, the 64.75MW Bluff Point wind farm (stage one and two), last summer.

The debt package includes a six month construction tranche which converts to a 9.5 year partially amortising term facility on completion.

The Aus\$80 million (US\$66m) Bluff Point was the first merchant wind financing in Australia and consisted of a single 10-year partially amortising facility.

Clayton Utz was the legal advisor to the sponsors. Mallesons Stephen Jaques advised the bank.

A partnership between the French group AREVA and local contractors Hazell Bros is responsible for the project's design and construction. R40s expects completion of the wind farm in the second quarter of 2007.

R40s is a 50:50 joint venture between state-owned Hydro Tasmania and CLP Power Asia, which is part of China's CLP Holdings ([IJ News 26 September 2005](#)).

The company has an existing portfolio of projects in Australia, New Zealand and China and is exploring opportunities in Korea and India. The firm has over 200MW of wind power either operational or under construction in Australia.

Other R40s projects include the 129MW Musselroe facility under construction near Cape Portland in north east Tasmania and a fifty per cent stake in the 66MW Cathedral Rocks wind farm at Port Lincoln in South Australia. Cathedral Rocks was a joint venture with Spain's EHN and was also financed by NAB.

Government incentives for wind (or lack there of)

The Woolnorth development benefits from a 10-year offtake agreement for all renewable energy certificates (RECs) created by the project. All electricity generated by the wind farm will be sold on a merchant basis.

There are currently no other broad-based federal incentive schemes to support wind energy.

Eligible renewable technologies in Australia are currently accredited for REC generation until the expiry of the mandatory renewable energy target (MRET) scheme in December 2020.

The Woolnorth development is forecast to receive REC revenues up until this date.

Additionally, each of the projects in the development benefit from a ten-year fixed price contract with state-owned EnergyAustralia for the offtake of RECs. Beyond the expiry of these contracts, the projects will still receive un-contracted REC revenue up until MRET cut-off.

At a state level, the Victorian and New South Wales administrations have devised similar local schemes - the Victorian Renewable Energy Target (VRET) and NSW Renewable Energy Target (NRET) - to promote renewable energy.

These schemes have already resulted in an increased number of proposed wind farm developments. For example, the 192MW Waubra wind farm is currently under construction in Victoria and a number of other major projects have received development approval.

Currently, offshore wind is not being considered due to its higher costs and the significant number of onshore sites still available for utilisation.

A number of R40s developments have been postponed until further incentive schemes are put in place to make renewable energy more commercially viable - an extension of the MRET scheme would be a step in this direction.

Policy U-turn?

As renewable energy is not economic in its own right, the future of Australia's market will depend on the level of support provided by government incentives - at federal and state levels.

There does appear to be a shift in momentum with the introduction of the state-based VRET and NRET. However, as these schemes are still in their infancy, it is difficult to predict their impact on promoting new renewable energy projects.

In contrast to John Howard's ruling Liberal party, the opposition Labor party has made global warming a campaign issue for the next election. If elected, it says it would extend the MRET, while both parties have spoke of introducing a carbon tax.

Though it would appear the tide is turning, there is considerable uncertainty among wind developers in the country.

In contrast to wind, other renewable energy technologies are receiving an elevated level of federal support.

Under the Australia's Greenhouse Gas Abatement Programme, the federal government rearranged its budget for 2002-03 and set aside Aus\$400 million (US\$333m) to be spent over five years to 2008 on renewable power generation.

However, this funding is focused more on emerging technologies - like solar, tidal and hot rock geothermal - and not established industries such as wind power.

Australia's environmental concerns

Australia has an excellent wind source and a large amount of open space to develop. However, its unique ecosystem also presents a number of environmental challenges.

Last year a wind farm in Victoria had its approval overturned by the federal minister for the environment and heritage because of the projected death of one orange-bellied parrot per year.

More recently, a rare orchid not seen for 30 years has caused delays to the construction of a wind farm in Murchison, north west Western Australia and wind turbines proposed for a Aus\$145 million (US\$120m) project near Hawkesdale in Victoria could be moved if Aboriginal cultural sites are found on location.

These issues have driven a wedge between environmentalists and greens over whether to protect cockatoos or promote wind farms.

Developers are not impressed. In the case of R40s, it has pulled the plug on Aus\$550 million (US\$458m) worth of wind farms citing investment uncertainty following the government's orange-bellied parrot decision.

This included the withdrawal of planning applications for the Aus\$300 million (US\$250m) Heemskirk wind project in western Tasmania and the Aus\$250 million (US\$208m) Waterloo wind farm in South Australia.

However, those decisions did not affect the Woolnorth development which was approved following its own exhaustive environmental study - which considered white-bellied sea eagles, orange-bellied parrots and Aboriginal heritage among other things.

Conclusion

Australia's southern coastline looks out beyond what sailors call the roaring forties - the latitudes between 40°S and 50°S. Tasmania falls within this zone, so called because of the boisterous and prevailing westerly winds.

Average wind speeds in the roaring forties are typically above 8 or even 9 metres per second.

Of course the roaring forties hold only a tiny percentage of Australia's electricity demand, but potential for renewable power in other regions of the country is equally impressive.

Some of the county's prime spots include south west Western Australia, south east South Australia, western Victoria, northern Tasmania and elevated parts of New South Wales and Queensland.

Looking ahead, Australia seems to be following world-wide growth trends in wind development.

Despite lacklustre support from the federal government, installed wind capacity has risen from less than 50MW in 2000 to over 800MW currently in operation.

This has been good news thus far, but developers like R40s are calling for more government support - by way of incentive and 'reasonable' environmental restrictions - to continue wind power's upward progression in the land down under.

The project at a glance

Project Name	Studland Bay Wind Farm (Woolnorth phase three)
Location	Tasmania
Description	75MW expansion to the existing 64.75MW Woolnorth development
Sponsors	Roaring 40s (50:50 JV between Hydro Tasmania and CLP Power Asia)
Operator	Roaring 40s
EPC Contractor	AREVA and Hazell Bros JV
Construction Stage	nearly complete (Q2 2007)
PPA	Hydro Tasmania
Total senior debt	US\$75-79 million
Senior debt breakdown	six month construction tranche 9.5 year partially amortising term facility on completion

Mandated lead arrangers	National Australia Bank
Legal Adviser to sponsor	Clayton Utz
Legal adviser to banks	Mallesons Stephen Jaques
Date of financial close	7 March 2007

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