

France bites bullet – softly – on subsidies

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France has bitten the bullet on subsidies for the first two rounds of its offshore wind programme, slashing them from an eye-watering €200 per MW over 20 years to a – let’s be honest – still pretty darned generous €150/MW... and it has (largely) been welcomed.

The French government has executed a solid PR job by clawing back [€15 billion in subsidies](#) from over the 20-year lifespan of the Round 1 and Round 2 projects – a considerable saving on the €40 billion it was due to fork out in support of the six offshore wind farms.

However, this tariff reduction is far less than the French Government initially intended to impose and the developers are – mostly – still rubbing their hands with glee, looking forward to healthy returns on the wind farms (once they’re actually build them).

The programme – launched between 2012 and 2014 towards the end of François Hollande’s administration – got off to a stumbling start, providing the world with an excellent example of how **not** to procure offshore wind.

The French process compares poorly with the likes of the Netherlands and Denmark where the procuring authority secures permitting and environmental licences, taking early-stage risks in a project with a view to delivering them successfully and swiftly.

In France, it has been a very different experience with projects (until recently) stifled by luke-warm political support. In truth, it feels like the programme was set up as a vehicle to support home players... a state-subsidised programme to line the pockets of EDF and Engie, while showcasing Areva technology. Looking at Round 1, one is left thinking Iberdrola snuck in sporting a convincing Gallic disguise.

Sentiment has shifted considerably in the intervening years and France is now committed to having 40% of its electricity from renewable energy sources in place by 2030, reducing reliance on nuclear from around 75% in 2015 to 50% by 2025.

For all that, sources on the ground are not convinced that offshore wind is viewed as a key pillar to that strategy with few envisaging many more projects coming to market after Round 3. There will be greater clarity on this towards the end of this year when the market will receive greater clarity on what will be delivered in the coming years.

Today however, the French offshore wind sector is looking a lot better than at any time in its six-year history. It is an excellent development to have clarity on tariffs, but projects have also been held back by public opposition and a woeful lack of [legal framework](#).

While the tariff issue has now been laid to rest, the legal process for objections is greatly enhanced but not resolved. Instead of citizens being able to lodge complaints in any old court across the land, legal cases are now being dealt with by one competent court in Nantes, Brittany.

Two major developments that will play a huge role in allowing these projects to progress. And sources say that the 480MW Saint Nazaire Offshore Wind Farm (EDF, Enbridge and WPD) is actually close to breaking ground (surely the wrong term).

Let's take a look at that new feed-in tariff and the implications of change.

Subsidised wind...

In a world of zero subsidies – tackled in these pages [one year ago](#) – procurers have one goal in mind, keeping costs as low as possible and getting the best deal possible (obvs).

France had to take action on the rates agreed in fledgling market. The nation is sitting with offshore wind projects procured in the pioneer days, but having made no progress while the market shifted dramatically. Lenders are now far more comfortable with the risks (one could argue driven by competition and lack of opportunity) and technology has improved in leaps and bounds...with the combined result of significant reductions to capex.

As one Paris-based financial adviser says: “When you see projects of a similar nature in the North Sea in new tenders pricing at less than €100/MW, it was impossible for the French Government to sustain the initial prices.”

With changes to technology, developers can use larger turbines – less mass for the same capacity – which sounds simple enough and justifies a significant reduction to the feed-in tariff... but it isn't that simple.

// hears from the market that while most of the developers are happy with the tariff slash, it could have been a lot worse. The French Government wanted to cut a good deal deeper.

“These guys are still going to make a tonne of money on these projects – even with reduced tariffs,” says one senior adviser in France.

However, not everyone is happy... though that could just be the continued posturing of skilled negotiators.

Beating chests and crying foul, the developers point to the preparatory work they have done for their offshore wind farms – from design through planning permission, and on to environmental studies (all of which take a long time in France).

Some developers fear that changing the wind farm layout to allow for larger turbines and fewer masts will require fresh permitting and give the objectors a second bite of the cherry. However, the president and the energy minister – Emmanuel Macron and Nicolas Hulot – insist that technical aspects of projects have not changed, so this will not impact the timeline (which is already pretty impacted!).

Word from sources close to government is that floating offshore is being smiled upon fondly in the Élysée – clearly favouring an out-of-sight, out-of-mind policy; as well as reducing environmental impact. This (emerging) technology is seen as having huge potential for the west (in the Atlantic) as well as in the Mediterranean.

For now, we are waiting for the first moves on St Nazaire. After that, there are five more projects from the first two rounds to start work.

As one leading adviser in the sector says of the procurement process: “It's a mess.”

Yup, it's a mess – but it's a lot less of a mess today than it was one week ago.

The French offshore scene

As an aide memoire, here follows the line-up of offshore wind projects tendered out by the French energy regulator Commission de Régulation de l'Énergie (CRE) with associated links to the splendid *IJGlobal* database.

Round 1 projects – 1,924MW – include:

- 496MW [Saint Brieuc](#) Offshore Wind Farm – Iberdrola, Eole RES and CDC
- 498MW [Fecamp](#) Offshore Wind Farm – EDF, Enbridge and WPD
- 480MW [Saint Nazaire](#) Offshore Wind Farm – EDF, Enbridge and WPD
- 450MW [Calvados](#) Offshore Wind Farm – EDF, Enbridge and WPD

Round 2 projects – 992MW – comprise:

- 496MW [Le Treport](#) Offshore Wind Farm – Engie, EDPR, Sumitomo Corporation and CDC
- 496MW [Noirmoutier](#) Offshore Wind Farm – Engie, EDPR, Sumitomo Corporation and CDC

Round 3 project in procurement:

- 750MW [Dunkirk](#) Offshore Wind Farm

CRE is being advised the third round by Orrick on legal aspects, and by Ernst & Young on financial. Ten bidders have pre-qualified for Dunkirk:

- Boralex with CMI5i Pastor
- Deme Concessions Wind
- EDF with Innogy and Enbridge, advised by Clifford Chance
- Elicio
- Engie, advised by Herbert Smith Freehills
- Iberdrola with RES
- InControl France
- Parkwind with Valeco, advised by Edmond de Rothschild
- Statoil (recently, like so many other oil majors, having [rebranded: to Equinor](#)), advised by CMS
- Vattenfall with WPD and Caisse des Dépôts, advised by Freshfields

Round 3 projects yet to be procured:

- 500MW [Parc Eolien en Mer d'Oleron](#) Offshore Wind Farm (not yet tendered)
- 250MW [Berck-sur-Mer](#) Offshore Wind Farm (not yet tendered)

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