

**Energy Transitions Commission (ETC) Urges Government and Industry Collaboration to Overcome Perceptions of Offshore Wind Energy “in Crisis”**

**LONDON, 2 May 2024** – *The latest insights briefing from the Energy Transitions Commission, Overcoming Turbulence in the Offshore Wind Sector, highlights the need for governments and the offshore wind industry to join forces to restore confidence in the market, drive down costs and accelerate the clean energy transition. The ETC’s membership includes offshore wind industry players: bp, Iberdrola, Octopus Energy, Petronas, Shell, SSE, and Vattenfall.*

Offshore wind is already delivering large-scale clean electricity at a competitive cost around the world. In Western Europe, costs fell 60% between 2015-2022. Installations are growing rapidly. From 2015 to 2023, global capacity has expanded six-fold from 12 to 74 GW, already producing energy for around 90 million households, and with vast potential to scale further.

But in 2022-2023, inflation, supply chain bottlenecks, and higher interest rates led to rising offshore wind costs in some markets. A perceived offshore wind “crisis” ensued, in the UK and US markets in particular, as many projects and contracts were cancelled.

While increases were significant, they’re mostly expected to be short-term. Costs in Western markets are already coming back down as most drivers were temporary in nature (e.g., supply chain bottlenecks due to COVID, a 200% increase in steel costs), although the increase in cost of finance may remain over the medium term. Meanwhile, technological progress and large-scale production drove consistent cost reductions in China over the same period, illustrating that offshore wind can be even cheaper and more competitive in the future.

*“Offshore wind is vital for the clean energy transition. It can generate electricity when the sun isn’t shining and doesn’t compete for land use. Now is a critical period to rapidly accelerate wind capacity if the world is to achieve net-zero emissions by mid-century. Governments should act now to restore market confidence by setting ambitious offshore wind targets and design auctions and contracts which provide market certainty and drive costs down.”* Adair Turner, Chair, Energy Transitions Commission.

Estimates from the International Energy Agency (IEA) suggest that offshore wind has the potential to generate more than 420,000 TWh per year worldwide, equivalent to 14 times today’s global electricity generation. To achieve a net-zero economy built on clean electricity, annual wind generation needs to grow ten-fold from 2,000 TWh in 2022 to over 20,000 TWh by 2050. This will be complemented by a thirty-fold growth of solar capacity from 1,000 TWh in 2022 to ~30,000 TWh by 2050.

However, most countries are not on track to install sufficient offshore wind capacity by 2030 to align with a net-zero emission trajectory.

*“The energy system of the future will depend on clean, secure and cost-competitive electricity and this report shows the critical role offshore wind has to play. But to fully realise the technology’s potential, policymakers, system operators, regulators and the industry need to re-focus on scaling up the sector’s capacity. Those that move fastest will unlock significant and lasting economic benefits.”* Alistair Phillips-Davies, CEO, SSE.

**Government and industry collaboration can relaunch confidence and drive costs down**

Governments and industry must closely collaborate to relaunch confidence in offshore wind markets and bring down costs. To be on track to install the capacity required for the transition to clean electricity, the ETC recommends governments should:

1. Set ambitious targets and predefined auction schedules, which ensure large-scale volumes committed and delivered year by year.
2. Design auctions and government-backed contracts to reduce the risks of non-delivery. Changes should include inflation-indexation to reduce developer risks and greater penalties for withdrawing from contracts to reduce contracts being treated as options. Governments must accept paying somewhat higher prices to remove this optionality.
3. Streamline planning, permitting and grid connection processes while also reinforcing the grid to reduce waiting times for offshore wind to connect.
4. Ensure that wind turbine and component production can achieve economies of scale-based cost reductions by encouraging harmonisation of turbine components and sizes.
5. Address specific supply chain bottlenecks through, for example, guarantees and subsidies for new installation vessels to carry larger turbines; and balancing the desire to encourage local supply chain content with the need to achieve high production volumes on a multi-country/regional level.

*"This briefing from ETC reinforces the reality that, despite blips in the UK and US last year, the offshore wind industry is on a fundamental global growth trajectory. As the briefing notes, offshore wind has seen huge cost reductions and is cost competitive with gas power. It's no wonder that governments in every continent are recognising the increasing role that offshore wind plays in keeping the lights on, and providing large scale, cost competitive energy."* Rebecca Williams, Chief Strategy Officer - Offshore Wind, GWEC.

*"Offshore wind power is a key technology in the energy transition. Around the world we see governments and policymakers keen to add offshore capacity to help them on their decarbonisation journeys. This is because the offshore wind sector is creating industrial growth opportunities, and supporting jobs, while contributing to the energy security and reducing emissions in the energy system."* Agustín Delgado, Chief Innovation and Sustainability Officer, Iberdrola.

Overcoming.Turbulence.in.the.Offshore.Wind.Sector has been developed in collaboration with ETC members from across industry, financial institutions, and environmental advocacy. The ETC is a global coalition of leaders from across the energy landscape committed to achieving net-zero emissions by mid-century whose members include Arup, bp, HSBC, Iberdrola, National Grid, Octopus Energy, Petronas, Shell, SSE, Rabobank, Vattenfall, We Mean Business, and World Resources Institute.

This report was developed in consultation with ETC Members, but it should not be taken as members agreeing with every finding or recommendation.

To access the report, please visit: <https://www.energy-transitions.org/publications/overcoming-turbulence-in-the-offshore-wind-sector/> [Link will be live from 00:01 BST on 2 May 2024].

**ENDS**

**Notes to editors**

**UNDER EMBARGO UNTIL 00:01 BST (LONDON) 2 MAY 2024**

For further information on the ETC please visit: <https://www.energy-transitions.org>

**Media contacts:**

Caroline Randle, Energy Transitions Commission - [caroline.randle@systemiq.earth](mailto:caroline.randle@systemiq.earth)

Susan Brownlow - [susan.brownlow@wordsforindustrypr.com](mailto:susan.brownlow@wordsforindustrypr.com)