Regulatory delays put brake on US windfarm vessel gold rush

UNIQUE CHALLENGES: Emily Huggins Jones

Photo: Scott Dalton/ TradeWinds Events

Billions still beckon for first-movers, but uncertainty remains in a sector that is approaching tipping point, lawyer says

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Regulatory delays are holding up a potential bonanza for European shipowners hoping to tap into the multibillion-dollar US offshore wind sector.

An environmental impact statement decision on Spanish utility Iberdrola's 84-turbine Vineyard Wind 1 off Martha's Vineyard, Massachusetts, had been expected earlier this year, but it keeps being pushed back by the federal Bureau of Ocean Energy Management.

Emily Huggins Jones, a specialist in the sector and a partner at US law firm Squire Patton Boggs, told TradeWinds: "Now there is no time frame because cumulative effects of all east coast projects will be looked at. A lot of folks are looking at that [Vineyard Wind 1] as the bellwether."

But she added: "I don't see it as being a permanent roadblock — there's so much money at stake and so much investment now."

Construction of the 800MW Vineyard Wind 1 is planned to begin before the end of the year, using Jones Act feeder barges, the lawyer said, but uncertainty remains.

"Contacts in the shipbroker space are saying right now that, for example, cable vessel companies are not coming to an upcoming offshore wind conference because they've spent their exploratory money," she said, noting that these companies are waiting to see whether there is real money behind US wind.

"That's where the industry is right now."

Huggins Jones still thinks more joint ventures will be struck with European companies as energy players and shipowners see which way the wind is blowing in the US renewables sector.

Offshore wind has the potential to generate more than 7,200 terawatt hours of electricity per year, according to the US Department of Energy. That is nearly double the nation's current electricity use.

The US market is still in its infancy but an estimated $70bn will be spent on offshore wind development by 2030.

"It's slowly starting to get there," Huggins Jones said. "Ultimately, there will be a groundswell in the direction of renewable energy. It's a brand new industry and there's a lot of opportunity, particularly for New England, because they are so challenged in accessing power — the grid is ageing.

"They don't have a significant pipeline structure to import LNG or other sources of fuel. And there are restrictions on foreign-owned vessels bringing in LNG. Right now it makes a lot of sense."

Last month, Norwegian offshore support vessel owner Ostensjo Rederi announced a tie-up with US operator Foss Maritime to seek opportunities to deploy service operation vessels (SOVs) for windfarms.

Ostensjo chief executive Kenneth Walland told TradeWinds the partners would build ships depending on tender wins.

He added: "How many [ships] the market will need is dependent on what is required by the windfarm operators, and presently there are no such projects underway."

Bernhard Schulte Offshore said last month that it would build and operate Jones Act OSVs in the US windfarm market with domestic company MidOcean Wind.

Huggins Jones said: "[Vice president] Paul Gallagher at Foss has been pretty active in the offshore wind space and is looking for opportunities. SOVs could be an entry point."

Danish power company Orsted is building crew transfer vessels (CTVs) at two US yards to support its offshore wind intentions. It is teaming up with Eversource to bid for a second huge windfarm off Martha's Vineyard.

"The US market presents some unique challenges," Huggins Jones said.

"There are SOVs, but they're not purpose-built. One of the challenges is that partly because of the protectionist nature of the law and the lack of resources here, it's sort of been a chicken and egg question... who's going to make that sort of investment for an offshore wind-specific vessel? Early on, there was a lot of talk about adapting oil and gas vessels."

She believes that for some SOV/CTV applications, conversions are more feasible than newbuildings. But she added: "As the technology becomes larger [and] more complicated, the automation requirement and GPS requirements are going to make that a really difficult situation to use in the US market."

American yards that she believes could build a new generation of ships are Philly Shipyard, Keppel AmFELS and Bollinger Shipyards, but costs will be high due to Jones Act restrictions on overseas ownership of the tonnage.

"The know-how and experience is vastly European, or at least not American. There's a lot of this partnering with American outfits for vessel owners," she added.

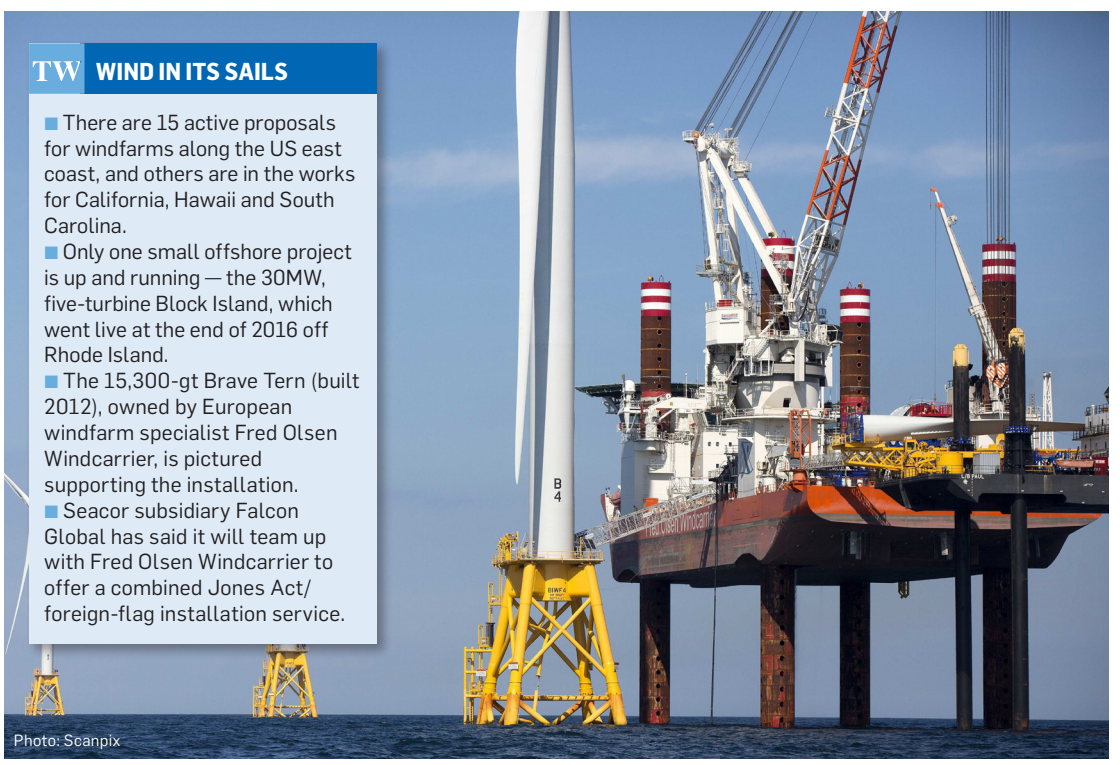
"Labour rates are so much higher — Norway may be analogous. Operating in the US will be vastly more expensive than under most other flags."

And she said: "One of the biggest challenges of coming into the market is reading the tea leaves and saying: 'Are we making these investments, and this will change in two years and all of our money will have been for naught'?

"This may shift over time, but the Equinors and the Orsteds and those folks, there's just nobody that can compare to the experience they have."

TW WIND IN ITS SAILS

- There are 15 active proposals for windfarms along the US east coast, and others are in the works for California, Hawaii and South Carolina.
- Only one small offshore project is up and running — the 30MW, five-turbine Block Island, which went live at the end of 2016 off Rhode Island.
- The 15,300-gt Brave Tern (built 2012), owned by European windfarm specialist Fred Olsen Windcarrier, is pictured supporting the installation.
- Seacor subsidiary Falcon Global has said it will team up with Fred Olsen Windcarrier to offer a combined Jones Act/ foreign-flag installation service.



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