

## Renewables | More subsidies for trapped wind

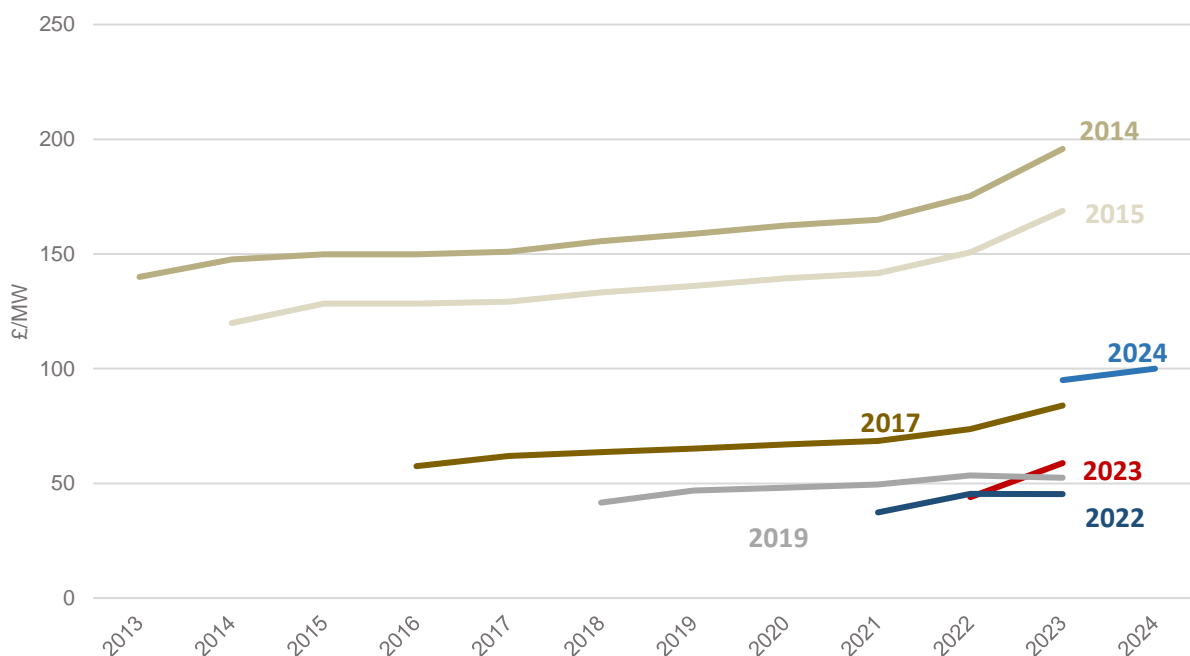
Rumours are circulating that the UK government will set the March 2024 6<sup>th</sup> round CFD guaranteed price for offshore wind at £70-75 per MWh.

It is important to clarify that these levels are quoted at 2012 prices, so £75 MWh (adjusted for inflation) is worth £100 MWh today and this guaranteed price will be even higher by the time offshore wind projects begin power generation and will continue to rise every year over the 15-year period of the CFD guarantee.

This £100 MWh for offshore wind compares to the cost of gas-powered electricity generation at £45-50 MWh before carbon taxes and £44 MWh (adjusted £59 MWh) for offshore wind in the failed September 2023 5<sup>th</sup> CFD auction.

This proves what Argonaut’s research has argued all along: that the true cost of offshore wind power is above £100 MWh, a far cry from the “miraculous” headline CFD price of £37 MWh in 2022 (see Fig 1).

**Fig.1 | UK Offshore Wind CFD Strike Price Development**



Source: Bloomberg, Argonaut Capital Partners

The wind industry and its enthusiasts are strangely silent about wind still being the “cheapest” form of energy generation, pretending instead that the previously agreed contracts didn’t already include inflation escalators for temporary supply chain issues.

This is a disgraceful back-room bailout of the Danish and Chinese wind industry paid for by high electricity bills for British consumers. Once again, our politicians have been duped by green grifters.

This also throws into doubt the economic viability of all offshore wind projects built in the UK since 2017 on significantly lower CFD prices. It is, however, a mistake to think that these legacy projects represent good value for money for consumers, given the low value of intermittent wind power to the grid.

We must also consider why wind projects won’t just operate in the free market and require a guaranteed price? It is because the UK already has a glut of power when the wind blows when wind market share can already reach up to 60%,

with very low or even negative prices. Building more wind generation now is like a factory owner hiring new workers who guarantee only to turn up when they are not needed.

The CFD guaranteed price requires the British consumer to subsidise an economically useless product that cannot be consumed, stored at scale, or even profitably exported. Wind operators don't care because the government guarantees them a price for their exponentially useless product.

Wind investors should consider the "sustainability" of a parasitical rent-seeking industry that requires constant government subsidy and coercion just to put off the day of reckoning.

Politicians can't keep pretending that building more offshore wind is now cheap. They still don't understand that more wind is not economically useful. The British economy is being sacrificed on the altar of Net Zero.

**Barry Norris**

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