

Wind Power Winded (1 Feb 2002)

News from Denmark , the world's largest producer of wind turbines, says that the government there is withdrawing the subsidies it had previously given to wind power. The new Danish government are in favour of cancelling 3 planned sea-based wind farms at a total value of 5 billion Danish Kroner. The wind farms were intended to be built outside Gedser rev, Omø stålgrunde and the island of Læsø.

Cancelling the sea-based wind farms, will save the Danish taxpayers 900 million Dkr per year. The numerous wind turbines in Denmark have distorted the market for electricity and raised Danish electricity prices to one of the highest in the world. The minister of Business and industry, Bent Bendtsen, is concerned about the social and industrial consequences if Denmark keeps building wind turbines as they have far exceeded the safety margin for such intermittent energy supplies. (This was brought home to Californians last year when their wind power investment proved unable to protect them from extensive power cuts).

The Danish producers of wind turbines are complaining it will seriously damage their exports due to the loss of economies of scale. Since the sea based wind farms will not receive subsidies, no more will be built. There are unconfirmed rumours that planned and existing land based mills will also lose their subsidies within the year. Without those subsidies many mill owners could end up in financial difficulty. All these facts and rumours are having an adverse effect on the market for wind turbines. The shares for *Vestas*, the world's biggest manufacturer of wind turbines have been falling since last year.

The latest *Vestas* share price
<<http://www.xcse.dk/uk/aktier/01kfx/index.asp>> is Kr.184.50 compared with a previous high of Kr.512

The basic problem with the wind turbine industry is that it is dependent on taxpayer subsidies, in other words - politics. Without political patronage, wind power could not justify itself in strictly economic terms. The industry has ridden the wave of that patronage for several years, the Danish company *Vestas* being the biggest beneficiary, but now reality is finally setting in - wind power is unreliable, very expensive, badly scars the landscape, and is only useful as a small supplementary source of power, nothing more. *Vestas* has sold turbines into Australia, but the sales were only made possible by the political actions of governments to appease the environmental lobby, not by natural market forces. (Investment analysis here
<http://www.hemscott.co.uk/hstoday/eurofile/backgrounders/vestas_301001.htm>)

Judging by the slide in share prices, investors seem to have woken

up from the Green daydream and taken a more realistic assessment of the potential - or lack of - of wind power. It may be a repeat of the dot.com phenomenon, share prices driven to unrealistic levels by political hype - only to fall sharply once investors took a reality check."

(Intel. - J. van Tiggelen and *Jyllandsposten*, Denmark's leading newspaper)
