Message

From: Si Kinsella Ex. 6 Personal Privacy (PP)
Sent: 2/23/2022 7:41:02 PM
To: Si Kinsella Ex. 6 Personal Privacy (PP)
Subject: Ørsted: a Perfect Storm
Attachments: FT (Feb 02, 2022), Orsted, slow winds & energy crisis.pdf; FT (Feb 17, 2022), Wind groups, 'perfect storm' of supply.pdf; Global ECHO (Feb 18, 2022), Energy - Financial Storm For OSW Power.pdf

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- Ørsted, the principal backer behind South Fork Wind, lost half its market value.
- Ørsted's revenue from offshore wind is down USD$305 million due to lower-than-expected wind speeds.
- Ørsted's manufacturer of wind turbines, Siemens Gamesa, also lost half its market value.
- Further compounding Ørsted's problems, Siemens Gamesa's CEO said, "delivery times have been increased from five weeks to nearly 50 weeks."
- Global Wind Energy Council's chief executive reported "significant impacts on production costs" from a sixfold surge in freight costs since the start of 2020 and price rises of 50 per cent for steel and 60 per cent for copper.
- South Fork Wind has *not* broken ground yet. The (so-called) "ground-breaking" was staged indoors at LTV Studio using imported soil to avoid exposing Governor Hochul to PFAS contamination. It was a charade.
- Will taxpayers and ratepayers be asked to bailout South Fork Wind?

Read full story below.

On February 2, 2022, London's *Financial Times* said Ørsted took "a blow to earnings at its 'green' business amid unfavourable weather conditions and the European energy crisis. Full-year results released on Wednesday showed low wind speeds, high development costs and intermittent power prices had weighed on operating profit at the Danish group's main offshore business."[1]

Ørsted is paying a heavy price. Its business model depends on which way the wind blows and is uncertain and intermittent by nature. Since January 2021, Ørsted has lost 51% of its market value.[2] Reality is harsh now, but the outlook is more rough weather ahead with supply chain interruptions and substantial price increases for the offshore wind industry.

According to the *FT*, European wind energy companies have been "blown badly off-course as supply chain disruption and soaring raw material costs prompt a stark reversal of fortunes. Over the past year more than $58bn has been wiped from the market value of the region's three biggest wind companies — turbine makers Vestas and Siemens Gamesa, and offshore developer Ørsted."[3]

Ørsted selected Siemens Gamesa to manufacture its wind turbines for South Fork Wind.[4] Siemens Gamesa has also lost more than half (55%) of its market value.[5]

The *FT* continues: "Manufacturers of turbines are particularly vulnerable to supply chain problems and surging freight costs. When components fail to arrive, assembly is delayed, setting back the construction of entire wind projects and triggering financial penalties. 'We have components where delivery times have been increased from five weeks to nearly 50 weeks,' Andreas Nauen, Siemens Gamesa chief executive, said this month, a day after the company announced it was replacing him following its latest profit warning. He said his company had been hit by a 'perfect storm' of problems. […] A single wind turbine can weigh more than 100 tonnes,

containing steel, copper and rare earths in thousands of highly engineered components that are manufactured all over the world."

"'Wind turbines have really heavy material use,' Mads Nipper, Ørsted chief executive, told the Financial Times. 'We are talking hundreds and hundreds of tonnes of material' in each turbine in which prices had surged. Ben Backwell, chief executive of the Global Wind Energy Council, said a sixfold surge in freight costs since the start of 2020 and price rises of 50 per cent for steel and 60 per cent for copper, had 'significant impacts on production costs'.'"

Globe ECHO cites the "cause of all these misfortunes [...] is inflation. A single giant wind turbine can hold over 1,500 tons of steel and concrete. Soaring metal prices have taken manufacturers captive to long-term contracts. However, unlike automotive or consumer manufacturers, they have not been able to transfer price increases to customers. In addition, manufacturing is split between producers of blades, nacelles, generators and other electrical components, requiring a long supply chain, at a time when the price of maritime transport is skyrocketing. [...] Result of all this, rising costs in 2022 for offshore wind. A first. An unprofitable business, exploding prices, wary investors at a time when states are reducing subsidies or eliminating them... The energy transition, which relies heavily on this activity, is entering a heavy-weather zone."[6]

The *Financial Times* concludes with a warning: "The rising turbine prices are forcing some turbine makers and developers to renegotiate contracted projects, leading to delays or postponements."[7]

When politicians make decisions *not* on merit but because they are paid millions of dollars, taxpayers and ratepayers are likely to be left having to bailout projects like South Fork Wind just to keep the lights on.

Sincerely yours,
Si Kinsella

Notes:

[1] See Ørsted gas assets offset slow winds and energy crisis by Leslie Hook published in London's *Financial Times* on February 2, 2022 (attached).

[2] Siemens Gamesa Renewable Energy, S.A. (SGRE.MC): February 20, 2022 closing price of 16.60 EUR, down 55% for January 3, 2021 closing price of 37.21. Ørsted A/S (XCSE: ORSTED): February 21, 2022 closing price of 657.40 DKK, down 51% from January 3, 2021 closing price of 1,351.5 DKK.

[3] See Wind groups wrestle with 'perfect storm' of supply woes and rising material costs by Leslie Hook published in London's *Financial Times* on February 17, 2022 (attached).

[4] https://www.SiemensGamesa.com/en-int/newsroom/2019/07/190718-siemens-gamesa-offshore-orsted-usa

[5] Siemens Gamesa Renewable Energy, S.A. (SGRE.MC): February 20, 2022 closing price of 16.60 EUR, down 55% for January 3, 2021 closing price of 37.21. Ørsted A/S (XCSE: ORSTED): February 21, 2022 closing price of 657.40 DKK, down 51% from January 3, 2021 closing price of 1,351.5 DKK.

[6] See Energy: "Financial Storm For Offshore Wind Power" by David Sadler published in Globe World News ECHO on February 18, 2022 (attached).

[7] See Wind groups wrestle with 'perfect storm' of supply woes and rising material costs by Leslie Hook published in London's *Financial Times* on February 17, 2022 (attached).

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