Insights

Big Opportunities in Offshore Wind

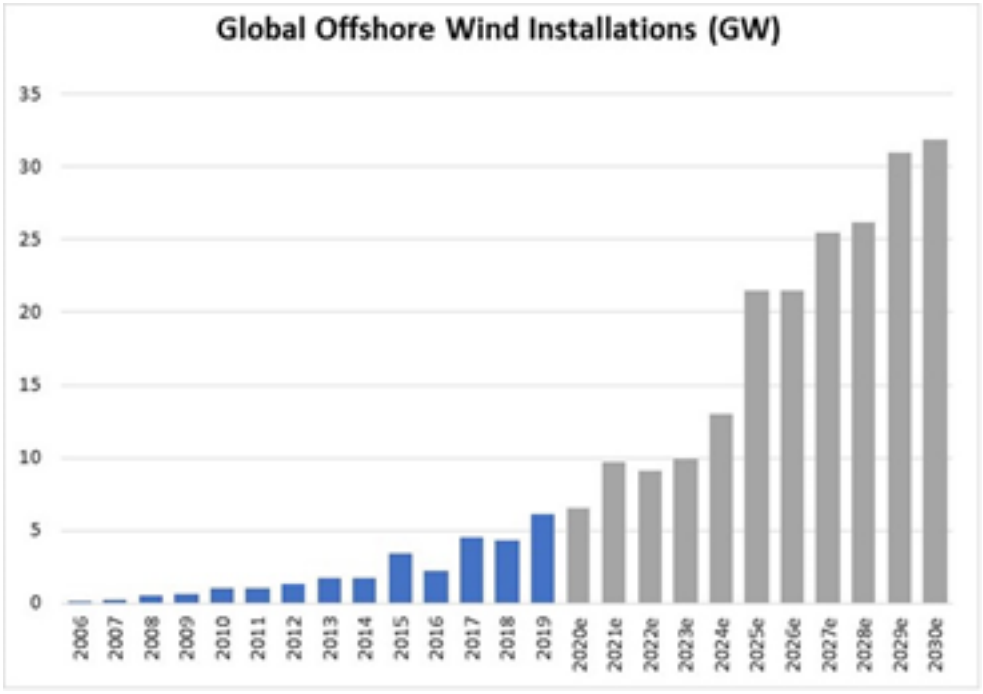
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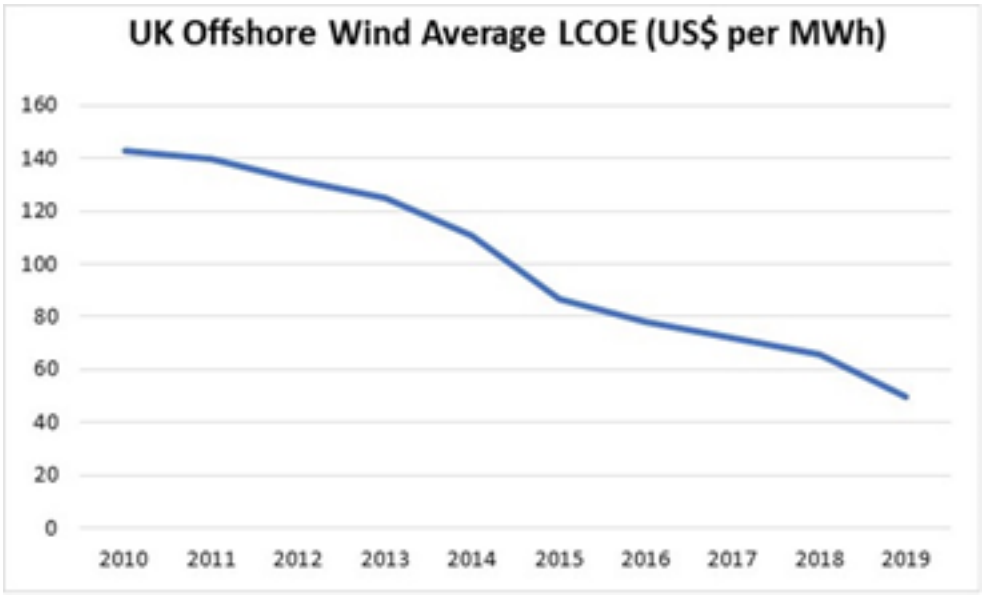
With climate change moving up the political agenda everywhere and growing awareness among the public for a need to reduce carbon emissions, demand for all viable sources of low carbon energy generation are likely to increase considerably over the next 2-3 decades. Climate action is now high on the agenda in the EU, China, Japan, and in the US following Joe Biden's election win in 2020. Trillions of dollars of fiscal support for renewable energy capacity build outs around the world can be expected in coming years, and the pandemic may accelerate this spend.

The following chart shows industry forecasts for global installations of offshore wind turbines. In the last 10 years global offshore wind capacity has increased 10x, growing 30% on average each year. The market is expected to increase by 5-6x by 2030, with high growth in all major markets. Investing in leading offshore wind turbine businesses with strong intellectual property and leading market share is a potential winner for long-term investors and is a focus of the Dominion Global Trends Managed Fund.



Source: GWEC

The dramatic decline in costs of power from offshore wind farms is driving the dramatic growth in offshore installations. The UK is a global leader in offshore wind installations (unsurprising given lots of sea and lots of wind around the UK). The following chart shows the dramatic 64% decline in LCOE (levelized cost of energy) from offshore wind in the UK. And offshore wind costs continue to fall, at an average 12% per year, as new larger and more efficient turbines are brought to market.



Source: IEA

Offshore wind technology has become a leading contender to be the lead source of renewable power around the world. While onshore wind and solar have made the most impact so far, as the technology in offshore wind has matured, it has become the go-to for new large-scale investment in renewables. At Dominion, we see offshore wind as an important tool in the fight against climate change, as well as being an exciting investment opportunity for our funds.

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