



JONES DAY  
**COMMENTARY**

## FRANCE TO LAUNCH MEGA TENDERS FOR 3,000 MW OF OFFSHORE WIND ENERGY PROJECTS

With a factor 10 growth between 2005 and 2009, wind-powered energy is a booming sector in France. In 2009 alone, building permits for wind power projects representing an overall capacity of 4,000 megawatts ("MW") have been granted by the French authorities. As one of the most competitive sources of renewable energies, wind-powered energy should eventually account for one quarter to one third of France's renewable energy capacity. Indeed, the French government aims to increase the overall capacity of the French wind power sector by another factor 10, reaching a total of 20,000 MW by 2020.

The French administration plans on the development of larger projects, both on- and offshore, in order to avoid the sprawl of small isolated wind farms over its territory.

With such ambitious objectives, France nevertheless remains at the back end of European countries in terms of offshore wind projects. Indeed, among a total of 948 offshore wind turbines located in Europe,

not a single one stands in French waters, and only one small-scale offshore project of 105 MW has been filed so far.

In order to catch up with the most dynamic countries in this sector, the French government is about to launch tenders for an overall capacity of 3,000 MW of offshore wind energy projects in the next weeks, including around 600 wind turbines to be located along France's Atlantic coasts. According to the French Ministry of Ecology, Energy, Sustainable Development and Sea, this tender should account for a total investment of € 10 billion, based on the actual cost of € 3.5 million/connected MW. Moreover, the government plans to keep increasing France's offshore wind-powered energy capacity up to a total of 6,000 MW by 2020, for an overall investment estimated between € 15 billion and € 20 billion. Such capacity should roughly equal that of six nuclear power plants.

This tender clearly represents a change in scale compared to the wind power projects developed so far in France. Due to the magnitude and complexity of the anticipated offshore projects, it is expected that large industrial groups, including energy companies, turbine manufacturers, and civil engineering companies, will team up to participate in the tender.

As for solar energy and land-based wind-produced energy, the government policy in favor of offshore wind energy is served by regulated preferential purchase rates guaranteed over a 20-year period. The current rates stand at € 130/ megawatt-hour (“MWh”) for the first 10 years and between € 30 and € 130/MWh for the following 10 years, depending on the annual operation time of the production facilities. Some investors have raised concerns that such unified rates are too low and inappropriate for offshore projects in view of the variety of offshore site conditions and the related planning and construction costs.

It may be expected that the government will review its unified rate policy for the tenders to come since, among other elements to be submitted, the bidders will have to provide an anticipated estimate of their electricity sales prices, which will possibly be among the crucial criteria for selecting the successful tenderers. The tender process itself is expected to be long, with the first turbines being erected in 2015, in particular because it would include a “risk removal” period, during which the feasibility of the projects would have to be confirmed by the bidders.

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