

## Wind Energy: A Safe Investment?

### Understanding health & safety risks

*“Further reductions in bid prices in Offshore Wind CFD auctions<sup>1</sup> increasing pressure to reduce CAPEX/OPEX costs”*

*“Growing interest in turbine life extension – presenting new technical and safety challenges”*

*“New turbine/project technologies and novel applications creating new health & safety risks”*



### Sector context

The increasing growth and maturity of the UK and global wind sector is increasing the interest in investment opportunities.<sup>2</sup> The interest has clearly been driven out of the sheer scale (GW) of installed/planned projects and the now multi-billion value proposition of the equity (£/\$/€) which is now open to investors (e.g. >300GW new capacity in the next five years including 40GW of offshore wind capacity<sup>3</sup>).

However, a key driver is fundamentally that most investment risks are reducing<sup>4</sup> and the opportunities are increasing. Examples include:

- **Opportunities (Increasing)**
  - GW Scale/Capacity (↑)
  - Financial Value/Scale (↑)
  - Global Opportunities (↑)
  - Through/End of Life (↑)
  - Investment/Divestment Churn (↑)
  - Investor Interest & Diversity (↑)
- **Risks (Reducing)**
  - LCOE (↓)
  - Financial Risk (↓)
  - Technical Risk (↓)

- Asset Reliability (↑)
- Owner/OEM Experience (↑)
- Investor Experience (↑)

Understandably the main focus will be to evaluate the financial (e.g. ROI<sup>5</sup>) and technical (resource/performance) aspects of an investment. However, recognising the wider risks & opportunities of an investment is playing an increasing role in decision-making. The reputational, liability and governance risks are sufficiently understood that Health & Safety (“H&S”) issues are rarely completely ignored at the initial investment stage. However, a full appreciation of the material risks<sup>6</sup> and responsibilities are not always understood, especially when considering the full life cycle of project H&S issues.

This briefing provides an overview for investors (existing and new) to understand how to take a proportionate and risk-based account of H&S issues. It sets out:

1. How to **understand the investment risk profile**
2. Due diligence enquiries to consider **before you invest**
3. What **good governance** looks like **after you have invested**
4. **Future risks & “health warnings”** to look out for

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1. Third CfD allocation round (AR3) open(ed) May 2019

2. e.g. from Pension Funds; Corporate PPA's; M&A; Ventura Capital; New asset financing etc.

3. GWEC Wind Report (April 2019)

4. This is a simplified assessment and each project/investment needs to be judged on a case by case basis

5. Return on Investment

6. Material risks could include; Enforcement action; product recalls; project delays; personal injury claims; contractual disputes; poor performance etc.