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Market report

By MAKE Consulting

March 2009

The Wind Forecast – Demand Side

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The Wind Forecast
Demand side

Prices:
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The global wind power market had another impressive year of development in 2008 with 37 percent growth. The growth was driven primarily by the U.S. market and China market, respectively. The U.S. wind power market ended the year as the largest market in the world in terms of cumulative installed capacity, surpassing Germany.

A few large players dominate the demand side of the wind power industry. In 2008, the 20 largest owners of wind capacity globally accounted for more than 50 percent of added installations. The concentration is highest in the Americas and in China where the ten largest owners account for approximately 70 and 60 percent, respectively, of new capacity.

Traditional wind owners, large European utilities and IPPs, still dominate ownership rankings, but the rapid growth in China pulls state-owned Chinese IPPs into the top ten. Iberdrola continues as the world's largest owner of wind power capacity followed by U.S. player NextEra and Italian utility ENEL. In 2008, Iberdrola reinforced its position by adding more capacity to its ownership portfolio than any other player. Chinese players had portfolios grow by the largest percentage.

Despite the viability of medium and long-term drivers, we forecast a negative growth of 6 percent in 2009, which confirm our October 2008 forecast. This is caused by the credit crunch. The U.S. market will be severely impacted by the global credit crunch as severe financial difficulties for traditional tax-equity investors, combined with the dried-up capital markets, affect the availability of both equity and debt capital. However, all regions will be affected to some extent. Syndicated loans, which are often necessary to finance medium-sized and large projects, are now difficult to obtain and we regard this to be the main barrier for growth in the current market.

In the period from 2009-2013, we forecast a CAGR of 13 percent. It is important to notice, however, that the CAGR forecasted is substantially affected by the negative outlook for 2009. Thus, a CAGR of around 20 percent is expected from 2010-2013. We have slightly upgraded our 2010 estimate due to the launching and subsequent implementation of a number of stimulus packages in Q4/2008 and Q1/2009. We expect to see the initial effect of the stimulus packages in 2H/2009, and believe they will have a positive impact on 2010 development; where after, project financing is expected to normalize.

The Chinese market expectations have been upgraded primarily as we have adjusted our measuring criteria. There is major uncertainty linked to the number of installations in China as the transparency in relation to actual grid connection is limited. A number of wind power organizations estimate the size of the Chinese market based on installations only, whereas we base our estimates on grid connected WTGs, and historically there has been a major gap between these numbers. In order not to differ significantly from other organizations, and thus present and maybe confuse the picture of the Chinese wind industry, we have partly compromised on this principle when making our estimate.

This report is part of our research subscription package!

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