Marine struggles in muddy waters

The UK’s Renewables Obligation should be replaced with a feed-in tariff, according to Marine Current Turbines managing director Martin Wright. At the very least, the support system should be radically overhauled better to attract large investors, because failure to do so could leave the tidal and wave renewable energy sectors languishing in an embryonic state for decades to come.

“(The last government displayed) a complete lack of understanding of the nature of finance and how to move it, but also of the reality of commercialising technology,” he says.

Wright describes the RO as a “fiendishly complicated policy” that has failed to draw in the levels of investment needed to ensure commercial development of a mix of technologies to provide for future energy security.

Global evidence in support of a FiT for this purpose, on the other hand, is clear. “The Renewables Obligation hasn’t actually delivered what we need. Other countries have got feed-in tariffs and they work.”

The RO sends out mixed signals to large investors and does nothing to entice them to back technologies such as tidal power, Wright suggests. In England and Wales, tidal currently gets two ROCs per MWh. This is the same as offshore wind, a more familiar, less costly and more mature sector.

“To expect money to come flooding into these (tidal) projects on the basis of that... well, most people are not going to rush, are they?”

This is particularly so when factoring in that costs for MCT’s first commercial tidal energy farm are going to be a little over double those of offshore wind.

“You do not have to run a supercomputer to work out that you’re going to need at least four ROCs plus a risk premium,” says Wright, who is quick to add that for MCT to be at “double the cost of offshore wind at this stage of technical development is a fantastic place to be”.

In Scotland, tidal gets three ROCs and wave gets five, more accurately reflecting the higher costs and risk involved but still “a confused message”.

“In Scotland the message is we want wave but we really couldn’t give a damn about tidal,” Wright says. “I know that’s not what they meant but that is what financiers who look at it will think.”

The current Whitehall government could learn a lesson or two from former Prime Minister Margaret Thatcher, Wright believes, who used Treasury signals to boost the housing market and increase the savings rate to kick-start some activity in the economy.

The same could be achieved for today’s renewables sector with the implementation of a strong, technology specific feed-in tariff, he insists.

“Commercialisation is what it’s all about. If we’ve decided as a nation that we want to exploit marine energy then put something in place that is targeted at marine energy. The government can put in place instruments to encourage investment in certain sectors. Renewables needs it desperately,” he says.

Another “more radical” approach, he says, would be for government to take charge of the build-out of a series of marine or tidal energy farms. It has adopted this approach for other pre-commercialised technologies such as the Eurofighter, Wright notes. “Or they could provide some form of underwriting for the money going into projects,” he adds, which would help manage some of the risk and “might not be an immediate strain on the exchequer”.

Either policy would help bring big players into the fold, he argues.

If government can structure the market to make it attractive for capital to move in, Wright says he is “fantastically positive” about the future.

“There would be interest from exactly the scale of company that needs to be involved.” But only then will the market truly take off.

Cost equation: Martin Wright

Photo: MCT

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Crown Estate for the three-phase project earlier this year. Construction is slated to start in 2016 with the first of 66 turbines planned for installation in 2017.

Across the Atlantic in Canada, MCT is working with Minas Bay Pulp & Paper to install a tidal turbine in Nova Scotia’s Bay of Fundy as a demonstration project.

MCT is also developing a fully submerged SeaGen turbine for deep-water sites, which would allow the company “to deploy our tidal stream technology in more areas, both in the UK and overseas”, says Wright.

All-or-nothing sector needs to attract some infrastructure muscle

The marine sector is going to be nothing or absolutely huge, says Wright. “It can’t be in between.”

Wave and tidal energy is still an embryonic industry right now.

While there is some very promising technology at various stages of development, to bring it into the mainstream will be “very difficult” if the plan is just to scale up companies like MCT. “It will take forever,” he says.

To deliver on its potential, the MCT boss says, the industry needs big players to get involved. “We’re doing stuff in the sea and you need a strong balance sheet because it’s an expensive process.”

With the sector dependent on large infrastructure, it needs the wide range of capabilities that exist in the major engineering and construction companies. “It’s not just about money. It’s about capability,” Wright stresses.

Everybody in the industry, whether wave or tidal, is facing the same issue, he adds, although they are facing it at different stages.

“In our case we have a commercial-scale prototype and now we need to commercialise it. That’s why we need the (big) players.”

Current policy is not tempting enough for big infrastructure funds and companies that follow the model of GE, those that build or buy, own and operate and then transfer on projects.

MCT has a series of high-profile investors including Siemens and the Carbon Trust, and a pipeline of development projects totalling more than 100MW lined up in both the UK and Canada.

“If you’ve got a good technology and it’s showing promise… then what you’ve got to try and do is make it huge,” says Wright.

“We have a commercial-scale prototype and we obviously now need to commercialise this. It’s very much uppermost in our mind.”

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