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Wind farms turn huge profit with help of subsidies

Jonathan Leake, Environment Editor

LAVISH subsidies and high electricity prices have turned Britain's onshore wind farms into an extraordinary moneyspinner, with a single turbine capable of generating £500,000 of pure profit per year.

According to new industry figures, a typical 2 megawatt (2MW) turbine can now generate power worth £200,000 on the wholesale markets - plus another £300,000 of subsidy from taxpayers.

Since such turbines cost around £2m to build and last for 20 or more years, it means they can pay for themselves in just 4-5 years and then produce nothing but profit.

The lucrative outlook has led to a surge in planning applications for new windfarms. There are already 165 wind farms operating 1,944 turbines in Britain but another 34 are under construction, a further 118 have planning consent and 220 are under consideration, according to new figures from the British Wind Energy Association.

If they are all built it would mean up to 4,000 more turbines being constructed across Britain - a prospect that is also generating a wave of protest.

Around 140 groups have been set up around the country to oppose wind farm projects, citing fears of noise and light flicker from the rotating blades and the impact the turbines will have on the landscape.

John Webley is chairman of the Kentish Weald Action Group against wind turbines in rural Kent, whose 200 members are fighting plans for a 415ft turbine planned near the village of Marden and financed by HgCapital, a City investment firm.

He said: "This would ruin a beautiful rural landscape and is far too close to homes whose residents' lives would be ruined and properties lose value."

Some experts question whether wind farms give good value for money. Among them is Dieter Helm, professor of energy policy at Oxford University, who calculates that it costs consumers up to £510 for each tonne of CO_2 emissions avoided through wind energy.

"The level of subsidy for onshore wind farms is very high and it distorts the market, making it more attractive to invest there than in other technologies like solar power," he said.

Ofgem is also concerned. "We calculate that renewable energy subsidies will add £60 to consumer bills this year and that will keep rising," said a spokesman.

Defenders of renewables point out that wind turbines are a relatively new technology facing an entrenched fossil fuel industry and so need help to get going.

Dale Vince, founder of Ecotricity, which has 12 small wind farms, said: "The reality is that climate change is the biggest threat humanity has faced. We need every bit of green energy we can get and those who say otherwise are simply wrong and selfish."

A crucial issue for turbine profitability is the so-called load factor – the proportion of power generated compared with the theoretical maximum. According to government statistics, the average load factor for turbines in 2006 was 27.4%, meaning a typical 2MW turbine actually produced only 0.54MW on average.

The subsidy system means, however, that turbines can make a profit even when they are operating at very low load factors.

The worst performing turbine in Britain is said to have a load factor of just 7%, meaning it produces a fourteenth of the power it was designed for. Two former senior Ofgem executives have cast doubt on claims by energy companies that the recent 15% increase in household bills is due to the higher cost of wholesale gas and electricity.

The executives, who left only recently, say Ofgem has been far too weak. They point out that the wholesale market price of energy is largely irrelevant to the big six companies because they tend to supply their own energy or have long-term deals with power generators.

One said: “There is a problem in the wholesale markets which Ofgem has failed to get to grips with. The wholesale prices don’t represent what the energy companies are actually paying.”

Fuel firms in forecourt ‘rip-off’

PETROL companies were accused yesterday of “ripping off” motorists by failing to pass on the falling cost of oil to customers at the pumps, writes Steven Swinford.

The average price of petrol in forecourts has risen to record levels in the past month and now stands at £1.04 a litre, despite crude oil falling from $100 a barrel to around $90. Retailers are paying 7% less for petrol than they were at the beginning of the year.

Louise Doherty, a spokeswoman for price comparison website PetrolPrices.com, said: “It’s outrageous that instead of actually passing these savings to their customers, they’re doing the exact opposite and raising their prices. Motorists are getting a raw deal here.”

The high petrol prices have led to growing anger among businesses. Last week more than 700 companies joined forces to call on Alistair Darling, the chancellor, to scrap a planned rise in fuel duty.