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New U.S. Wind Power Capacity Falls in 3rd qtr, Construction Rises.

U.S. wind energy installations fell 44 percent in the third quarter, though projects under construction are approaching record levels thanks to its low cost and the recent five-year extension of a key tax credit, according to an industry group.

Installations of wind capacity fell to 895 megawatts during the quarter from 1,603 a year earlier, according to a quarterly report by the American Wind Energy Association (AWEA).

Wind energy makes up about 5 percent of U.S. electricity, while solar lags at about 1 percent. There is still far more wind capacity, 75.7 gigawatts, than solar, which had nearly 32 GW installed at the end of the second quarter.

Wind is converted into mechanical energy then electricity. A wind turbine 80 feet tall can power a single home while a utility-scale turbine powers hundreds of homes.

With the renewal late last year of a tax credit for wind projects through 2019, developers are no longer under pressure to begin projects this year, AWEA officials said.

All of the capacity added during the quarter was in two states: Texas, the nation's top state for installed wind capacity, and Minnesota.

The pace of wind energy development has been highly dependent on the federal production tax credit over the last decade, and goes through boom and bust cycles when it is renewed or allowed to lapse by Congress.

Projects under construction were up 2 percent from the third quarter of last year, and have climbed 16 percent, on average, every quarter this year. At 13,563 MW, projects under construction are within 1,000 MW of the record hit in 2014, the AWEA said.

The cost of wind energy dropped 61 percent between 2009 and 2015, according to a study by investment bank Lazard last year, which also found wind to be competitive with, and often below, the cost of conventional generation like natural gas.

New power contracts for wind facilities are up 39 percent so far this year, with the majority coming from corporate and other nonutility purchasers. Amazon.com Inc, Johnson & Johnson and Target Corp all struck deals for wind power during the quarter.

With contracts for wind power, big corporations are able to lock in electricity rates for 10 or 15 years, according to AWEA Chief Executive Officer Tom Kiernan.

"They appreciate that stability and seeing the benefit," Kiernan said.

During the quarter, Iowa became the first state to generate more than one-third of its electricity,

35.8 percent, from wind power. Iowa has 6,365 MW of wind capacity installed, and an additional 3,100 MW under construction or in advanced development.

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(Reporting by Nichola Groom; Editing by Jeffrey Benkoe)

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