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BURST OF CONSTRUCTION IN DECEMBER DELIVERS RECORD YEAR FOR US WIND

Bloomberg New Energy Finance finds industry installed 13.2 gigawatts of capacity as equipment costs fell and the expiration of a key subsidy loomed

New York, 22 January 2013 – The US wind industry installed a record 13.2 gigawatts of new nameplate generating capacity in 2012 with a surge of new installations coming in the last month of the year. December 2012 alone saw 5.5GW installed – by far the most ever in a single month – as developers rushed to bring projects to completion ahead of expiration of the federal Production Tax Credit.

The figures were compiled by research company Bloomberg New Energy Finance, based on the world's leading database of transactions and projects in clean energy. The previous record had been set in 2009, with 10GW installed. The 2012 capacity addition represented more than a 102% increase over 2011's number, when the industry installed 6.5GW.

With the 2012 bonanza now in the books, wind projects account for 60GW of total cumulative capacity across the US, comprising 6% of the country's overall electricity generating capacity.

Wind economics have improved dramatically in the last several years. Equipment prices, as tracked via Bloomberg New Energy Finance's Wind Turbine Price Index, have fallen by more than 21% since 2010. Over the same period, performance of turbines, measured in terms of average capacity factor, has risen. These two effects combined have resulted in a more than 21% fall in the levelized cost of electricity for a typical US wind project since 2010.

Still, a policy-related factor helped drive 2012's massive swell of development and construction activity, particularly in the last month of the year. The industry's most important subsidy, the Production Tax Credit (PTC) was due to expire at midnight on 31 December; only projects becoming operational before that date would have qualified for the credit, barring legislative action to extend the incentive. Ultimately, Congress allowed the PTC to lapse but then retroactively extended it on 1 January of this year, as part of the so-called 'fiscal cliff' rescue package.

The 2012 numbers are especially striking in light of the attractiveness of competing options, specifically natural gas. On the back of the shale gas 'miracle' and the very mild winter of 2011-12, natural gas prices sank below $2/MMBtu in April 2012, the lowest in a decade. At these fuel prices, natural gas plants present stiff competition for wind projects when the two compete head-to-head to meet the needs of electric utilities. Bloomberg New Energy Finance estimates that the levelized cost of electricity for a wind project in the Texas Panhandle, the windiest part of the country, is below $30/MWh, when the PTC is taken into account as a benefit for the project owner. For comparison, wholesale power at today's natural gas prices in that region costs roughly $25-30/MWh.

Many states have mandates requiring certain amounts of new clean energy generation be added each

year. But this latest boom is being driven by different dynamics, according to Amy Grace, lead analyst, North American wind, at Bloomberg New Energy Finance.

"It's clear that the economics, aided by the PTC, drove wind growth in 2012. 11GW of capacity was built in states without any near-term state mandated demand," said Grace. "This means that in most areas, utilities are buying wind power because they want to, not because they have to."

Though the industry had much to celebrate in 2012, the 2013 outlook is bleak. Wary of PTC uncertainty all of last year, developers and investors were reluctant to build pipelines for the coming year. Asset financing for US wind projects crested in the first half of 2012 at $9.6bn, in preparation for the 2012 burst, and then plummeted to $4.3bn in the second half of 2012. As a result, the upstream portion of the industry has taken grievous hits. Companies that produce turbines, blades, and other components of wind equipment – including manufacturers such as Vestas, Gamesa, Clipper and Siemens – have all either initiated or announced layoffs.

The leading wind developers behind the 2012 build numbers were NextEra (1.5GW new capacity added), Caithness Energy (0.8GW), and BP (0.8GW). Turbine manufacturers that were the greatest beneficiaries of these installations were GE (4.5GW of turbines sold to 2012 US wind projects), Siemens (2.9GW), and Vestas (2.2GW).

The table below shows statistics by state, for the top 10 states in terms of new 2012 US wind build.

	State	Wind build in 2012 (MW)	Cumulative wind capacity through 2012 (GW)
1	California	1,738	5.5
2	Kansas	1,589	2.6
3	Texas	1,532	11.9
4	Oklahoma	1,224	3.0
5	Oregon	845	3.6
6	Illinois	803	3.6
7	Iowa	790	5.1
8	Michigan	700	1.0
9	Pennsylvania	568	1.4
10	Colorado	496	2.5

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