Blackstone set to invest €2.5bn in German wind farms

By Daniel Schäfer and Piilta Clark in London

Blackstone is set to announce its largest deal in the renewable energy sector as the US private equity group plans to invest a combined €2.5bn ($3.3bn) into the construction of Germany’s biggest ever offshore wind farms.

The private equity group will announce on Friday that it has secured financing for an 80 turbine wind farm in the North Sea, which it plans to complete constructing by 2013. The €1.2bn project, dubbed “Meerwind” (sea wind) and initially announced in 2008, is set to produce enough power to service 400,000 households.

Blackstone will also unveil plans for a second such project – an estimated investment of €1.3bn into 64 wind turbines for which it has already acquired a permit. The construction of this wind park is expected to be completed by 2016.

The investments mark one of the biggest ever moves into renewable energy by a global buy-out group. It comes after the German government decided to heavily subsidise wind energy amid its ambition to phase out nuclear energy by 2022.

Sean Klimczak, Blackstone managing director, told the FT offshore wind would deliver a “private-equity-style return profile”. “This is an industry that is not widely understood by private capital investors,” he said.

He said the group was in talks to buy a third German permit as it wanted to create the first “established offshore wind energy company” in Europe.

The projects benefit from a generous guaranteed feed in tariff of €119 per megawatt hour for wind energy in Germany.

Blackstone is also the first beneficiary of a government programme to give loans to ten privately financed offshore wind farm projects, aimed at kick-starting private investments into the area.

The Meerwind project will be financed by a €822m loan from seven banks, with about half the money coming from KfW, the state-owned German lender.

Renewable energy projects have become a hotspot for private equity investments in the past few years, with specialised funds and infrastructure groups in particular buying into onshore wind farms and solar energy projects.

But Blackstone’s move is seen as unusual as private equity investors have tended to focus on wind farms that are already up and running or close to completion, rather than ones yet to be built.

Investors in general have been less keen on offshore wind projects, which can be as much as 80 per cent per kilowatt hour more expensive to build than onshore farms.

Of the 84 gigawatts of wind generating capacity installed in 27 countries in the European Union, less than 36GW comes from turbines in the sea.