Navigating a course to continued success

As Director of Van Oord Offshore Wind Projects b.v., Johan van Wijland is a familiar face to many in the industry. He's also a regular contributor to PES and joins us once again to discuss the company’s latest developments. New vessels? Massive monopiles? The Eneco Luchterduinen and Gemini projects? All are covered right here…

PES: Welcome back once again to PES. For the benefit of our new readers, would you mind explaining a little about the company and how it serves the wind industry?

Johan van Wijland: Van Oord is a marine contractor with a long track record in dredging, offshore oil & gas and, since the last decade, also in offshore wind. Van Oord’s strategy is to build the entire Balance of Plant of an offshore wind farm on EPC basis. With the Balance of Plant we mean literally everything, including the onshore and offshore high voltage substations, the onshore and offshore export cables, the cables within the wind farm between the turbines, the foundations and the scour protection.

The only component that we do not supply is the wind turbine itself. We do that on an EPC basis, meaning that we want to be responsible for the design, the engineering, the procurement and the installation.

PES: How has this side of your business evolved over the years? Is it a more mature, stable market than the one you entered?

JvW: The overall market for offshore wind energy is not yet a mature market. It is subsidy driven and the costs need to be brought down substantially in order to be competitive with the commodity price of electricity. Too many projects in the past were not delivered within time and budget, but these were mostly projects based on a multi contracting strategy and managed by utilities or project developers without any experience in building structures in an offshore environment.

We are however clearly moving along the learning curve and especially with our EPC Balance of Plant approach we are certainly able to make the offshore wind market a mature one. With our approach we, being an experienced marine contractor, are managing the interfaces. For clients, this results in far less contracts at reduced costs, that can be managed by a much smaller team. You have to put the risks at the party that is best capable of mitigating them!

PES: When we last spoke, there was great excitement about the launch of Aeolus. Has the vessel arrived yet? What will it offer the offshore industry?

JvW: Yes, the Aeolus is in full operation at the moment, busy installing the foundations of the Eneco Luchterduinen wind farm. The ship is performing very well and we are also very glad that all the additional equipment like the tailing crane and the gripper are performing very well. For Van Oord it is important to be able to do all major installation activities with our own vessels and own equipment. We don’t want to be dependent on third party vessel suppliers that have a business model that is based on ‘more days, more dollars’.

PES: Do you have any other fleet developments in the pipeline?
JvW: We ordered a large cable laying vessel, the Nexus, that will be delivered in the beginning of next year. It is a DP2 vessel with a 5,000 tonnes carrousel on board. It is developed and will be used for installing export cables, but we can also use it for the installation of inner array cables. The ship is 123m long and is being built at the Damen Shipyard in Romania.

PES: Tell us about your planned involvement with The Netherlands' largest offshore project

JvW: It’s no longer a planned involvement any more…On May 14 2014, the project reached financial closure. Van Oord is participating in two ways. The first one is that we are the full Balance of Plant EPC contractor. The total contract value for this part is approximately 1.3 billion Euro.

The second way is that Van Oord has taken an equity share of 10% in this project, which was an important contribution to reach financial close for the project. The Gemini wind farm will have a capacity of 600 MW and is the world-wide largest offshore wind farm that is completely project financed. We have started with the onshore works already and with surveys offshore.

The monopiles are being manufactured in Germany and The Netherlands and will be installed in 2015. We will also install the export cables and part of the inner array cables in 2015. The turbines and offshore high voltage substations will be installed in 2016. By the end of 2016 / beginning of 2017 the wind farm will be fully operational.

PES: A company the size of Van Oord faces different challenges to smaller organisations. What frustrates and encourages you about your current position?

JvW: I only see advantages in being part of a large company like Van Oord with a healthy balance sheet. We have easy access to all the people, the knowledge and the equipment that Van Oord has available. I think it is a big advantage of having this background in dredging and oil and gas.

We know how to build structures in a sometimes challenging offshore environment. Smaller companies tend to make use of more external resources and hire all kind of consultants. In our opinion that is not the way forward. Further we think it is a big advantage to have our own installation equipment.

PES: The company seems to have been strengthening its position with corporate acquisitions in Spain and the UK. What’s the thinking behind these notable purchases?

JvW: These acquisitions are related to our dredging and other marine activities in the first place, but can be helpful in the near future for the “local content” of the offshore wind projects.

PES: If you could pick one, what is the defining advantage of Van Oord over its competitors?

JvW: Being able to provide the complete Balance of Plant of offshore wind farms on an EPC basis and doing most installation activities with our own equipment. Furthermore our healthy balance sheet is essential and it helps that we have the possibility to take an equity stake in the projects that we are building this way.

These advantages are essential for the bankability of non-recourse project financed parks.

PES: Your profits are up, which is excellent news. To what do you owe this period of success?

JvW: This was not only wind related, as we had a limited turnover in 2013. This will change however in the coming years when the turnover will increase substantially due to the projects that we have under construction. This demonstrates also that it is important not to bet on one horse. For Van Oord the three pillars are, and will remain, dredging, offshore oil & gas and offshore wind.

PES: Is security ever an issue in the parts of the world in which you operate?

JvW: The offshore wind activities of Van Oord are all located in the North Sea. There we don’t have important security issues. This is different for our other activities that are taking place world-wide.

PES: We note that you predict that your sector will become even more buoyant in 2016. What factors do you think will contribute to this growth?

JvW: We expected a slowing down of the installation rate in offshore wind in 2014 and 2015. That turned out to be quite a correct prediction. For Van Oord the good news is that in this period we are busy with the Eneco Luchterduinen project and the Gemini project. For 2016 and onwards we see quite some new projects being developed in the UK, the Netherlands, Belgium and Germany.

The main challenge remains to bring down the costs. Political support for offshore wind will only be sustainable if we are able to compete with other sources of energy.

We are convinced that it is possible to bring down the costs with some 40% till 2020. The main contributors to this cost reduction are a) bringing down the cost of capital (Gemini clearly showed that there is a great potential in project financed parks to get to lower costs of capital), b) making the Transmission System Operator in a proper way responsible for the grid connection and c) bringing down the costs by innovations and technological developments in the supply chain as well as in installation techniques.

PES: Finally, what are your thoughts about the coming 12 months? Is 2015 looking as positive for you as 2014?

JvW: We are very confident that 2015 will be a very good year for us, probably even better then 2014. We will complete the Eneco Luchterduinen project and we will be in full swing with the construction of the Gemini wind farms.