

Key hurdles cleared, Cape Wind ready to rev up

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Cape Wind could begin to set up financing for its plan to build 130 wind turbines in Nantucket Sound as early as this spring, according to a company official.

The U.S. Minerals Management Service issued a largely positive environmental report for the project last month and a formal approval of a lease for the project could come as soon as two weeks. Combined with several permits already issued by the state and a pending decision on all other local and state permits, the federal lease could clear the way for Cape Wind to pursue investors and loans for the project.

In an e-mail to the Times yesterday, a spokesman with MMS — a division of the Interior Department — wrote that an ongoing review of the project's impact on historical and tribal properties would need to be complete before a final decision was made on a lease for the wind farm.

Matt Lee-Ashley, a spokesman for Interior Department Secretary Ken Salazar, said last week that Interior officials were "looking carefully at the issue" but that there was no plan to delay a decision, so far.

"Our approach has always been permitting first," Cape Wind spokesman Mark Rodgers said yesterday.

Once a lease has been secured, a project's value in the financial community increases, Rodgers said. "It's difficult to get major players in the financial community to sit down with you if you don't have that in place."

In 2005 Cape Wind lined up the ill-fated banking giant Lehman Brothers to help secure the more than \$1 billion in debt and equity for the wind farm. After Lehman Brothers declared bankruptcy last year the division working with Cape Wind was sold to Barclays Capital.

At the time, Theodore Roosevelt IV, a former managing partner at Lehman Brothers who is now the managing director of Barclays' investment banking division, said that the firm, which is based in the United Kingdom and has had its own recent financial ups and downs, planned to continue working with Cape Wind.

Advocates for Cape Wind hope the financial future of the wind farm could become more secure with the passage of the now nearly \$900 billion federal stimulus package that includes a three-year extension of production tax credits for renewable energy projects, as well as a tax break for investment in projects like Cape Wind.

A House bill that was passed last week also includes a grant program that could cover some of the capital costs of renewable energy projects.

As of yesterday a Senate version of the bill did not include the program, which renewable energy analysts say would be a significant boost for renewable energy projects.

Jeffrey Chester, chairman of the Wind Power Finance and Investment Summit scheduled for next week in San Diego and head of wind practice for Kaye Scholer, LLP, said in a recent interview that despite an administration clearly favorable to renewable energy, offshore projects are still a few years away from being built. .

Costs are double that of land-based turbines, for example, and the required equipment does not have a very long track record, Chester said.

And, the tight credit market makes financing offshore wind projects a challenge, he said.

"One of the biggest problems that we face with the market as a whole is until there's a clear bottom there's a lot of money sitting on the sideline waiting to get in," he said. Utilities, which are not known for their boldness, are likely to hang back from investing in untested technologies, he said.

Cape Wind would need a power purchase agreement — a long-term agreement with a utility or other organization — to sell its electricity if it is going to be built, Chester said.

Despite the odds stacked against Cape Wind and its president, Jim Gordon, Chester declined to say it couldn't be done.

"The developer has been extremely persistent and he's overcome tremendous obstacles so far," he said. "I will never count out Jim Gordon."

Cape Wind continues to face serious legal and political challenges, however. More lawsuits are expected after MMS releases its decision on the lease. The company has spent more than \$40 million so far on legal, planning and regulatory activities.

Glenn Wattley, president of the anti-Cape Wind group, the Alliance to Protect Nantucket Sound, also said yesterday that financing will be tough for the Cape Wind project.

"The power-purchase agreement is the key thing," Wattley said.

He also questioned whether MMS would decide very quickly on a lease since the agency is still without a director.

Additionally permits from the state and other approvals from federal agencies are still outstanding, he said. "The idea that we're going to start construction anytime soon to me is a serious stretch."