

POLITICS DAILY

Foreign Firms Dominate Wind Energy in U.S., Land Stimulus Dollars



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On Tuesday, former President **George W. Bush** was the star speaker for **WINDPOWER 2010** in Dallas, a conference and exhibition hosted by the American Wind Energy Association. AWEA is one of the many rich, professional associations in Washington, D.C., that collects dues from member companies and amalgamates their interests into legislative agendas. It is, in short, a lobbying group.

AWEA also claims credit for being "the voice of wind energy in the U.S." by representing "more than 2,500 member companies" and offering a possible solution to the government's dream agenda for energy and environmental policy: a clean, alternative power source spun out of America's air. But ironically, this political force is dominated by foreign companies, which make up two-thirds of the organization's event sponsors. AWEA's current **board president, Donald Furman** reports to **Iberdrola Renewables from Spain** and the previous board president, Jim Walker, works for the French corporation **EDF Energies Nouvelles**. The powerful association's controlling "**leadership council**" has 20 slots, and 10 are filled by representatives of European-owned companies that pay \$150,000 a year each for a voice in the political agendas AWEA pushes in D.C.



David McNew, Getty Images

As well-versed influence purveyors, AWEA embraces both major political parties. Besides former Republican President Bush, Democratic Sen. Byron Dorgan (N.D.) and Obama's Department of Energy Assistant Secretary, Cathy Zoi, were to address AWEA conventioneers this week.

In 2008, congressional records show, AWEA spent \$1.6 million lobbying Congress and federal agencies; by 2009, AWEA's political expenditures were \$4.3 million. While some expense undoubtedly went to pushing for a federal requirement that **a percentage of all energy produced in the US use renewable means**, the "American" association also deftly opposed a "Buy American" provision for renewable energy stimulus grants proposed by a group of Democratic senators led by Sen. Charles Schumer (D-N.Y.).

The makeup of the AWEA reflects the state of the wind energy industry in the U.S. America's wind farms now have the capacity to power as many as 9.7 million homes -- about 2 percent of the nation's energy needs -- but foreign companies build many of the turbines being installed today. In part, that's because American utilities lack the expertise, and few American companies manufacture the equipment. Overseas companies also own and manage many of the wind farms sprouted along our amber fields of grain. Last year their U.S. subsidiaries even tapped the **2009 American Recovery and Reinvestment Act**, sending billions in federal stimulus dollars to foreign-owned energy and manufacturing conglomerates in Europe and Asia.

Through one stimulus measure -- the **Section 1603 Grant Program** -- developers of renewable energy are entitled to a reimbursement of 30 percent of the cost of building a facility. Since last September, that government program has given out \$2.3 billion to developers of U.S. wind farms. About 70 percent of the rebates -- more than \$1.6 billion in U.S. tax dollars -- has gone to foreign developers, according to **an analysis** in February by the Washington-based **Investigative Reporting Workshop** of grant information released by the Department of Energy.

Among other goals, the stimulus package is meant to "**create new jobs and save existing ones.**" Supporters say this particular stimulus program has generated jobs in construction and maintenance of new wind farms. But the bulk of economic activity from investing in wind, as much as 70 percent according to industry analysts, is in manufacturing of turbines, and most of that manufacturing is done by foreign firms.

Wind **turbines** are composed of a giant steel tower supporting huge blades and a control unit called a nacelle. Both the tower and the turbine's nacelle (containing the gear box, speed shafts, generator, brakes, and other parts) require a high-level of manufacturing precision and reliability. At last count, 1,758 of the 2,211 turbines put up under this stimulus grant program were built by foreign companies, according to the most **recent analysis** by the Investigative Reporting Workshop.

Some of these companies have invested in U.S. factories and others are planning to do so. But the level of investment varies widely, from companies like Spain-based Gamesa, which has the ability to completely manufacture some models at its Pennsylvania plants, to India-based Suzlon, which has only one American plant that builds just one component -- hubs.

An example of foreign dominance of wind power is the **Meadow Lake Wind Farm** in Indiana. The farm, which picked up \$113 million in U.S. stimulus funds, was developed by a Portuguese firm, Horizon-EDPR. Horizon hired the Danish firm **Vestas** to construct the turbines using steel towers built by the Vietnam factory, CS Wind, with blades and giant nacelles from Denmark.

A wind farm built for Puget Sound Energy, also by Vestas, received \$28.6 million in stimulus funds. Its steel towers also came from Vietnam and the blades and nacelles from Denmark. And the U.S stimulus grant program gave \$91.3 million to the Bull Creek wind farm in Texas -- a project that consists of 180 Japanese-built wind turbines constructed under the supervision of a British company for Japanese owners who use a French firm to manage the site.

It's not surprising that foreign companies collected the majority of stimulus dollars spent on the wind industry. Compared to mature and vibrant wind power industries in Europe and Asia, the U.S. has only two homegrown wind turbine manufacturers of any significance: General Electric and Clipper Wind. While both have assembly plants in the U.S., they also import many parts from factories overseas. G.E. and Clipper accounted for 49.3 percent of the U.S. turbine market in 2008. By 2009, that had slipped to 45.7 percent. As of late 2009, the two U.S. companies combined have 32.3 percent of the market for wind plants currently under development, according to AWEA market reports.

G.E. has three turbine manufacturing and assembly facilities in the U.S.: Greenville, S.C., Pensacola, Fla., and Tehachapi, Calif. G.E. also operates three wind turbine component manufacturing facilities in China. The company has opened a plant in Vietnam with the announced purpose of manufacturing up to 10,000 tons of components for use by G.E. in other countries.

Foreign companies didn't always dominate America's wind industry. In fact, the modern wind turbine is an American invention -- the first one-megawatt turbine was built here in the early 1940s, besting the next largest 100-killowatt turbine built by the Soviet Union. America's dreams of a modern, homegrown wind energy industry moved toward reality during the 1974-1975 energy crisis, when the OPEC cartel cut off our supply of relatively cheap oil.

Through the 1970s and into the mid-1980s, entrepreneurs and researchers -- buoyed by federal tax dollars and working in collaboration with NASA and the Department of Energy -- installed clusters of wind turbines. With the country on the cutting edge of technology and with tax incentives pushed by the Carter administration, the first large wind farms sprang up, including the **Altamont Pass Wind Farm** and the **Tehachapi Wind Farm** in southern California.

But in the 1980s, led by Reagan administration policies that favored "free-market" policies, Congress allowed key tax incentives to lapse and slashed federal funding for applied research and development for renewable energy. A slew of U.S. wind energy start-ups went bankrupt. European firms picked through the wreckage, scooping up some American

companies and buying the technology of others. European governments made the political choice to pour billions of dollars into supporting their wind industries, improving the technology, and deploying turbines.

"We gave away a lot of our manufacturing infrastructure over the last 30 years," said David Foster, executive director of the Blue Green Alliance, a coalition of labor unions and environmental groups. "We gave up our technology and research and development, specifically in wind and solar -- wind to Europe, solar to Asia...We're suffering from policy chaos. We've brought the United States to being the number one installer of wind in 2008, but we don't have the policies that capture anywhere near as much of the manufacturing that we could -- and should."

Working with the **Investigative Reporting Workshop**, I **first reported** on the foreign dominance of U.S. wind energy interests last fall and updated my analysis of Department of Energy data on stimulus grants **again** this spring. The AWEA fired back at my investigation with **criticism** that my numbers did not tell the full story. According to the association, about 50 percent of components in the turbines erected under the program were built domestically.

But the AWEA refused to disclose how it arrived at its data. The Department of Energy offered the same data, but again, with no additional evidence to support the claim.

This spring at a Washington, D.C., conference, AWEA's senior vice-president for public policy, Rob Gramlich, told a panel that it wasn't fair to equate money going to a company with a foreign name as meaning the money was going overseas. "That is patently false, of course, because there are a lot of foreign companies investing in the U.S.," said Gramlich.

But four of eight foreign companies laid off or furloughed U.S. workers from their U.S. manufacturing facilities, citing lack of orders, during 2009. USA Today reported in January that "several wind-turbine companies announced layoffs last year, including at plants in Minnesota, Pennsylvania and Nebraska." In fact, AWEA's chief executive officer, Denise Bode (who was previously president of the Independent Petroleum Association of America and, before that, energy adviser to George W. Bush's transition team), told the newspaper last winter that the U.S. wind industry actually **lost 1,500 manufacturing jobs** since the stimulus passed, but that an equal number of jobs in construction and manufacturing were created.

This March, Schumer and three other Democratic senators introduced legislation to refocus stimulus spending under the Section 1603 program toward projects that can prove they create American jobs.

The bill attempts to apply the same "Buy American" provision that exists in other areas of the stimulus to renewable energy grants, but includes significant exceptions that make it more about transparency than about blocking imports.

The proposed law would not apply to products produced by foreign companies at facilities in the U.S., provides exceptions if no American product exists or is too expensive, and requires the "Buy American" clause be applied in line with existing international trade agreements, many of which prohibit protectionist actions. While the "Buy American" clause might not be ironclad, the proposed legislation would require the administration to disclose to Congress how many American jobs would be created with each grant and why a foreign product was used instead of an American one.

Still, the AWEA responded to the Schumer legislation with loud protest. **The association claimed the legislation would kill 85,000 jobs** and launched a lobbying blitz covering Capitol Hill with executives from wind companies, many of them foreign.

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