



STRONG WINDS BLOW IN FRESH CONTROVERSY OVER US JOBS

Among the many promises President Obama made on taking office in January 2009 was one to create some five million jobs in the US renewables industry over a decade. But more than a year on, a new report claims those plans may be on hold with little or no actual movement on the jobs front. Worse, it claims many of the jobs may actually go overseas. 'Not so', says the American Wind Energy Association. So what is going on? PES takes an in-depth look at the state of the industry and examines the ongoing controversy...

Part of the problem has been that despite all the talk of green jobs, the overwhelming majority of stimulus money spent on wind power recently has gone to foreign companies. That, at any rate, is according to a new report by the Investigative Reporting Workshop at the American University's School of Communication in Washington DC. Almost \$2bn from the American Recovery and Reinvestment Act was spent on wind power, funding the creation of enough new wind farms to power 2.4m homes over the past 12 months but the comprehensive study found that nearly 80 per cent of that cash had gone to foreign manufacturers of wind turbines.

"Most of the jobs are going overseas," said Russ Choma at the Investigative Reporting Workshop. He analyzed which foreign firms had accepted the most stimulus money. "According to our estimates, about 6,000 jobs have been created overseas, and maybe a couple of hundred have been created in the US." Last year's stimulus bill allocated billions of dollars to the clean-energy sector with President Obama continuing to set high expectations for green-job creation in his recent State of the Union address, but administration officials admit that they are nowhere near that pace. Not long ago government economists released their first tally of clean-energy jobs created or saved by the stimulus – it was a mere 52,000. Several varying factors could have accounted for the slow start, some linked to weakness in the overall economy.

However, the American Wind Energy Association (AWEA) is keen to rebut some of the above claims. For instance, it refutes the suggestion in the study that nearly 80 per cent of the money had gone to foreign manufacturers of wind turbines. In fact, its spokesman said, 100 per cent of Recovery Act money went to wind projects built in the US. "The convertible tax credit program referenced above does not go to turbine manufacturers," he said. "Every penny of the money from the Recovery Act is provided as a tax credit for investment in American wind projects built in the US. Over 50 per cent of turbine value, such as towers, blades, nacelle assembly, and some internal components are made in the US."

The AWEA is also keen to refute the additional suggestion, made by Mr Choma, that jobs were going overseas. Its spokesman claimed this was simply 'not true' He went on: "Jobs in construction, transportation, civil and electrical engineering, and operations and maintenance are American and cannot be outsourced. Jobs in these areas were created and saved as a direct result of the Recovery Act and we have substantiated that."

Clearly this is a controversial issue and one which won't be going away in a hurry. According to the Watchdog Institute, companies like Cannon Power of San Diego, CA, who received \$19m from the federal government to expand a wind farm near Portland, Oregon, bought its turbines from Siemens, a German company,

the main contractor for the project. Gary Hardke, president of Cannon, acknowledged that the majority of turbine manufacturers were indeed foreign and that many of the parts used were actually made outside the US. He didn't know the origin of each of the different components, however. In fact, some may have been produced by foreign companies who nevertheless, have factories in the US, thereby employing American workers. Tracking exactly who benefits most from jobs created by developing wind farms is, in fact, incredibly complex. However, if there were more turbine manufacturers in the US, many more jobs would be retained on American soil.

To illustrate the potential for job growth, consider the estimate of the Renewable Energy Policy Project, a think-tank advocating renewable energy technology research. It predicts that for every one megawatt of wind energy developed, 4.3 jobs are created. Three of these are in manufacturing of the components, while the other 1.3 are for installation, operation and maintenance of the wind farms.

According to USA Today, turbine makers are reluctant to build plants in the US simply because the country has yet to create a national standard to increase the use of renewable energy. For manufacturers to invest in new production facilities, they need to know that there will be ongoing demand for wind power. With such assurance, the job gains could

be significant. A study by Navigant Consulting conducted for the renewable-energy group RES Alliance for Jobs, found that the country would gain 274,000 new jobs if Congress adopted a national standard requiring the production of 25 per cent of its electricity from renewable sources by 2025.

Other reasons for slower than expected job growth in the wind power industry are uncertainties in federal energy policy, according to the Los Angeles Times. Pertinent questions include whether existing tax credits and other financial incentives will continue, whether the Federal Climate bill will make fossil fuels more expensive, and the extent to which the government upgrades transmission lines and makes operational changes in the electrical grid.

What is certain is that domestic electric power demand fell nationwide last year. Electricity from coal and natural gas is still overall cheaper than wind or solar power with grid parity still some way off. Renewable energy companies, faced with limited demand, often used parts and equipment in stock or imported renewable technology instead of building turbines or solar cells domestically. Industry analysts and energy company executives said job growth was also hampered by lingering uncertainties in federal energy policy. Those include questions about when or whether existing tax breaks will expire and whether the Senate will pass a climate bill that would make fossil fuels more expensive and renewable energy more competitive. The federal stimulus bill spared the wind and solar industries steep job losses last year, executives said.

In the wind industry, the bill saved about 40,000 factory, installation and maintenance jobs, according to the AWEA. The industry had gained as many as 2,000 installation and maintenance jobs in producing the record megawatts of new capacity, but wind power manufacturing lost just as many jobs, the trade group said. Clean-energy leaders and many outside analysts added that green companies won't begin hiring in large numbers until the federal government mandates renewable power consumption

nationwide and dramatically upgrades the nation's electric grid.

Because of criticism from Charles Schumer and others, supporters of the government's investments into wind energy were put on the defensive. According to the Investigative Energy Workshop, Department of Energy Secretary Steven Chu said that the point of the wind power stimulus was to ensure that America led the world in creating jobs for manufacturing wind power components. Before that can happen, however, demand for the product needs to be established. The federal grants "provide the precondition to jump-start the manufacturing," he said.

Rob Gramlich, vice-president for public policy at the AWEA said that the monies were intended to serve as a lifeline to keep the industry afloat during tough times. "We strongly support the policy and are giving the administration and Congress a lot of credit for putting it in place and redesigning how it worked but it wasn't a long-term jobs policy and it wasn't really intended to be a long-term jobs policy," he said. It appears the wind power industry may well have good reason to worry. In recent months, several foreign wind turbine manufacturing companies with US production have closed or slowed operations. The Danish company, Vestas, and Spanish company, Gamesa, have both laid off workers due to the poor economy and some state governments are taking measures to discourage investment in wind energy.

Texas's Dallas Chronicle recently reported that the governor and legislature of Oregon were on the point of phasing out the Business Energy Tax Credit in order to save money for the Lone Star state. The state of Wyoming, meanwhile, may go one step further in trying to address its budget woes. According to the Washington Post, Governor Dave Freudenthal wants to impose an excise tax on wind energy production. If his proposal is passed, wind energy generation in the state would be subject to a five per cent tax, with 60 per cent of the revenues going to the state and 40 per cent to the counties where wind farms are sited. Neither policy is encouraging for wind energy jobs seekers in those states.

Wind turbine manufacturers "need more certainty" to add shifts and factories in the US, said Elizabeth Salerno, Director of Data and Analysis for the wind industry trade group. "Demand is the trigger," she said. "But it has to be long-term, stable demand." President Obama's advisors said the biggest clean-energy benefits of the stimulus were still to come, and that they had planted the seeds for a green-job proliferation by financing worker training and leveraging tens of billions of dollars in private investment in green technology. The Energy Department projects that US renewable power generation will grow four times faster from 2008 to 2012 than it would have without the stimulus.

"A lot more has to be done if we're going to realize the president's vision for a truly transformative clean-energy economy," said Jared Bernstein, Vice President Joe Biden's chief economist. "Our administration will pick up where (the stimulus) leaves off and finish the job. The president is completely committed to that." Others said the administration's efforts, including stimulus grants and tax credits that fund some applicants but not others, may have pushed clean-energy investment dollars overseas, particularly to China. Since 2008, China has approved more solar-power capacity than the US has installed in its history.

"The inconvenient truth for America's economic recovery is that China's Communist Party has cultivated a more favorable, predictable and hospitable market for private investments in clean-energy technology and energy infrastructure than the federal government of the United States," said Alexander "Andy" Karsner, a fellow at the Council on Competitiveness.

Energy Department officials said that instead of focusing on one or two technologies, they have funded a "portfolio of technologies" that will battle for a share of a growing domestic and global market. "We are not in the business of picking winners," said Matt Rogers, a senior advisor at the Energy Department who oversees stimulus spending. "We're creating competition among innovative approaches in the marketplace."

On the first anniversary of the American Recovery and Investment Act, pundits on all sides of the political spectrum are opining on how much it has stimulated the economy and created jobs. With clean energy a clear focus of the Obama Administration, and climate change legislation pending in Congress, special attention has been paid to the bill's impacts on green jobs. And, in the area of wind power, there's a lot of hot wind fanning controversy about the growth, location and types of jobs that have been created.

In USA Today, Denise Bode, CEO of the AWEA, said that federal stimulus dollars for wind projects and wind turbine-component manufacturers - approximately \$2.2bn - helped save the industry from the recession's stifling impacts. By adding 39 per cent more wind power to the American market, the stimulus bill produced additional wind power to supply the equivalent of 2.4 million homes with clean energy. According to Ms Bode, employment remained the same: while 1,500 to 2,000 manufacturing jobs were lost, they were offset by an equal number of wind-farm construction and maintenance positions.

But critics have been quick to pounce on this relatively positive reading for the future of wind energy and its job-creating potential. ABC World News reports on a study by the Investigative Reporting Workshop at American University's School

of Communication, which found that about 80 per cent of the stimulus funding for wind energy had gone to foreign manufacturers of turbines, resulting in approximately 6,000 new jobs in other countries. Senator Charles Schumer of New York was irate, calling the flow of money to foreign companies an outrage because the stimulus was intended to create jobs inside the US.

The AWEA responded, as reported above, by saying that 100 per cent of Recovery Act money went to wind projects in the US. On the one hand, this is true in that the projects were built in the US, creating jobs in construction, transportation, civil and electrical engineering, and operations and maintenance. On the other hand, approximately half of the value of the turbines and related components that were installed were made overseas, providing jobs in other countries. This is because there are not enough US wind power manufacturing companies in the US to meet the demand.

But, on a more positive note, WisBusiness.com reports that Ingeteam, a Spanish wind company, will build a \$15m facility in Milwaukee to produce wind turbines and solar energy components, creating 275 jobs for Americans. It all goes to show that the wind is blowing in all directions these days. Consequently, the outlook for jobs in the wind power industry is, should one say, up in the air. ■

The PES point of view

A recent USA Today article claimed turbine makers were loathe to build their plants in the US because we have yet to create a national standard to increase the use of renewable energy. If this is so, then this is a sorry state of affairs which needs to be addressed by Washington – and quickly. For manufacturers to invest in new production facilities, the article claimed, they needed to be assured of an ongoing demand for wind power. With such an assurance, the job gains could be significant. This is a golden opportunity for the country to benefit but the time to act is now.

With decreasing fossil fuel stocks throughout the world and the demand for clean energy, the US must act to ensure it stays in the vanguard of this development. A study by Navigant Consulting conducted for the renewable-energy group RES Alliance for Jobs, found that the country would gain a staggering 274,000 new jobs if Congress adopted a national standard requiring the production of 25 per cent of its electricity from renewable sources by 2025. That surely, is too good an opportunity to miss. American jobs for American workers – over to you Washington.