



The US stimulus and "green jobs" for wind energy

Posted by [Jerome a Paris](#) on November 13, 2009 - 10:26am in [The Oil Drum: Europe](#)

Topic: [Policy/Politics](#)

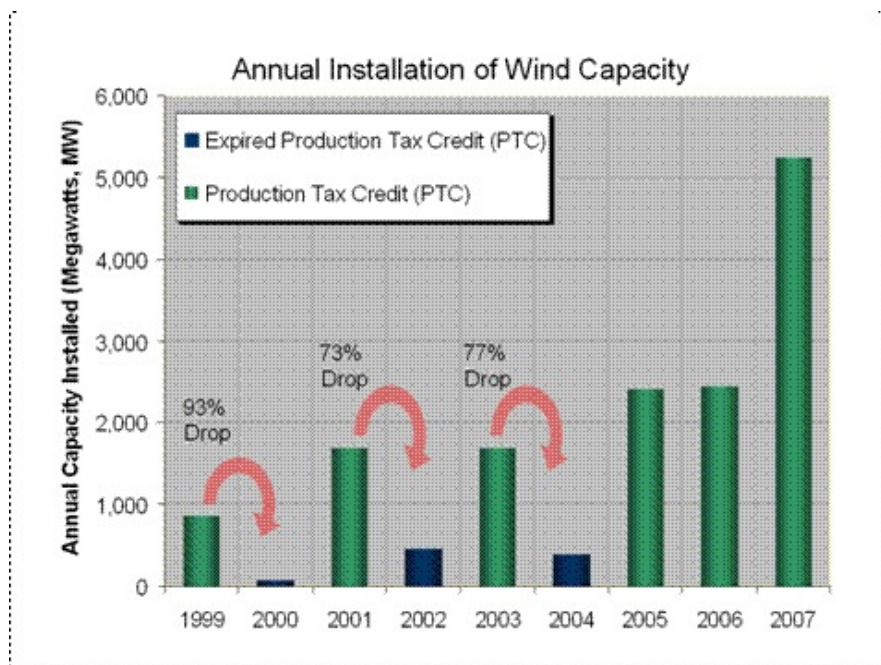
Tags: [clean energy tax stimulus act of 2008](#), [industrial policy](#), [taxation](#), [wind](#) [[list all tags](#)]

Recently, there have been [worried](#) or [angry](#) or [outraged](#) articles in the blogosphere about the stimulus money going to help create jobs in Canada, China, or going into the pockets of foreign multinational companies.

I'd like to make a few comments on this.

This is part of my series on [wind power](#).

1. One of the reasons US projects need to import foreign-manufactured turbines is that the US-based production capacity is currently equal to less than 2/3 of the overall US market for new installations. Just under 8,000MW will be installed this year, with a current manufacturing capacity of 5,500MW. Many manufacturers are investing to build new factories, but this will take time;
2. The main reason there is not enough manufacturing capacity is because the US has an appalling track record in supporting the industry: 3 times over the past decade, Congress allowed the main regulatory instrument, the PTC, to elapse, causing a catastrophic drop in installations:



This had global consequences - the disappearance of one quarter of the world market is not

an easy event to deal with - and almost caused the bankruptcy of several turbines manufacturers (some were bought out). Ever since, manufacturers have probably undersized their investments, in order to be able to deal with such a potential drop in demand, and they mostly avoided the US as a production base as a result, even though there are serious logistical advantages in this (heavy) industry to be located near your market.

There is no secret: the only way to have manufacturing investment in an industry which needs [no subsidies, but a specific regulatory framework](#) is to have stable policies and, dare I say it, an *industrial policy* to promote both the wind industry (a good thing in itself) and the wind turbine manufacturing industry.

This is still missing, right now. States are doing this at the local level, but it would make a lot of sense to do it at the federal level.

3. One of the reasons why the early federal grants have gone to European companies is that they are amongst the main investors in the sector in the US (and globally) - because they are familiar with the sector, because they know how it works, because they have better access to the (artificially scarce) turbines, and are willing to invest in the US whenever it makes sense to do so. The sector is now a strategic activity for most big utilities in Europe, initially because they were forced by public authorities to invest, and now because they like the returns they get, and they have massive investment programmes at home and elsewhere. And the European suppliers are following them. Protectionism might choke that source of investment.
4. Additionally, a large part of the money being invested in the US wind sector actually comes from European banks. The industry has largely been financed by project finance (which is my job), and that is a *lending* activity and not a capital markets activity - thus it did not interest US investment banks. So European bank balance sheet money has poured into the US wind sector to the tune of many billion dollars per year over the last several years. The financial crisis disrupted this for a while, but the European banks are now back at it. Again, protectionism might be a double-edged sword.
5. Furthermore, a lot of the US-based solar manufacturing industry has come to life thanks to the generous tariffs provided in Germany and Spain for solar power: this help built the local industry, but significant amounts also went to manufacturers from around the world, including some large US players.
6. While the worriers note that 50% of the jobs in wind come from manufacturing, it is also true that the other 50% are local (installation and long term maintenance and by nature not offshoreable - these will stay for the long run (that's more jobs than when you buy oil or coal-fired electricity, in any case); separately, building wind power generation is a good thing per se, avoiding carbon emissions, reducing dependency on fossil fuels (while natural gas is plentiful this year, there are still plenty of long term worries) and offering a stable-priced long term generation capacity.

As Natasha Chart noted in her [sensible article on the topic](#), there are a few things that can be done:

- local content requirements (say, 30-50% of the investment) are legal, and legitimate, and can help build up the local infrastructure and industry;
- but they will work only in the framework of stable policies that are long enough, and credibly so, and not subject to the whims of politicians too scared of "socialism" or "subsidies" to keep at it;

The reality is - you get what you want. You cannot have the *creation* of large scale manufacturing employment without, again, an **industrial policy**. If you can't own up to a concept that too many seem to see as "socialist," all you'll get will be haphazard results, benefitting those that do have consistent policies and the infrastructure that goes with it, who will be able to take advantage of semi-random bursts of public support dictated by urgency or short term political grandstanding rather than properly designed.

In other words, if you want large-scale renewable energy investment, you have to accept the reality of the market today (ie it is dominated by European companies, with the Chinese pushing in), and put in place the policies that will make it attractive to invest in the US for the long term.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).