



## Vestas Plant Moves Show Importance of Policy

The news that Vestas is closing its blade production facility on the Isle of Wight as it continues to open plants and ramp up operations in the U.S. illustrates the importance of a sound and stable policy environment in job creation and investment.

The link between policy and investment is perhaps best shown in the relatively neutral territory of Vestas' financial reports. In its most recent quarterly report, the Danish company explained the Isle of Wight plant closing in part by referencing a United Kingdom onshore market that "continues to be slowed down by very cumbersome local planning and permit processing." (On the positive side, investments in the research and development center on the Isle of Wight "continue according to plan," with the number of staff expected to increase from 110 to 150 by the end of the year.)

Meanwhile, "The expansion of Vestas's new factories in the USA and China continues as previously announced," the report states. In March the company broke ground on two manufacturing facilities in Brighton, Colo. The two factories, a wind blade plant and a nacelle assembly facility, will be part of the significant manufacturing and research hub the company is establishing in the U.S. Brighton also will be home to a technology and production engineering office as well as a division of the Vestas Business Academy for employee training and development. Vestas is spending about \$290 million to build the two facilities, which will produce 1,800 blades and 1,400 nacelles a year.

The turbine producer currently operates a wind blade manufacturing plant in Windsor, Colo., and is building the world's largest wind tower manufacturing facility in Pueblo, Colo. When all four plants are fully operational by the end of 2010, they will employ nearly 2,500 Coloradans.

As Vestas has set out and then executed such expansive North American plans, it has made decisions largely based on U.S. policy, even when it was forced to make predictions on what would unfold in Washington. In a quarterly financial report in early 2008, Vestas noted that the decision to establish plants in the U.S. "was made in spite of the uncertainty surrounding the extension of the [production tax credit (PTC)] scheme [which finally was extended early this year via the federal stimulus bill]. However, with 25 states in the USA already having adopted targets for renewable energy's proportion of the local energy mix, Vestas is confident that the USA will henceforth pursue a more long-term energy policy instead of the prevailing highly short-term approach to wind power."

More recently, in its latest quarterly financial report, the company continues to discuss the implications of policy on its business, from the difficult siting environment in the United Kingdom to short-term policy fixes in the U.S. "Vestas believes that the publication of the guidelines from the U.S. Department of Energy on the [investment tax credit grant under the economic stimulus bill], in addition to the extended PTC scheme, will stimulate demand and reestablish the USA as the world's largest single market."

Thanks to such short-term policy mechanisms, recent encouraging market signs validate the company's decision "to make huge investments in production capacity" in the U.S., Vestas said.

But the policy work is far from over, particularly in terms of mid- and long-term planning. "A national Renewable Energy Standard" will stabilize the U.S. market in the long run," the report states.

*Source: Wind Energy Weekly, 28 August 2009*