

Despite millions in tax credits, wind energy firms aren't hiring

February 8 2010, By Renee Schoof

Despite the Obama administration's efforts to create jobs making wind turbines in America, some companies say that sluggish demand for wind energy is holding them back.

The U.S. installed more [wind power](#) last year -- 9,900 megawatts, or enough to power 2.4 million homes -- than in any other year.

The growth in wind farm installations in the U.S. was a product of federal stimulus spending. Nonetheless, wind equipment manufacturers cut as many as 2,000 jobs last year. According to the American Wind Energy Association, a trade group, the drop in U.S. jobs is due, in part, to the lack of a long-term national policy that would require a certain percentage of American electricity to come from [renewable sources](#).

About half the wind turbines installed in the U.S. were made overseas.

A check with some of the companies that want to get into the wind manufacturing business found that even some that qualified for clean-energy manufacturing tax credits aren't able to create jobs quickly because they don't see enough demand for wind energy.

Basset Mechanical of Kaukauna, Wis., qualified for a \$868,500 [tax credit](#) to manufacture wind turbine towers and foundation parts. Chris Linn, the vice president for marketing and business development, said the company won't purchase the new equipment needed to receive the tax credit until it has enough sales volume to justify it.

"We're going forward aggressively with a sales plan, and we have every possible hope of achieving that plan," he said.

Some customers have had trouble getting business loans because banks have restricted lending in recent years, and some wind farm developers were thrown off by delays in the extension of production tax credits, Linn said. The [economic recession](#) also slowed business down.

Hexcel Corp., which makes material for wind turbine blades for the Danish maker Vestas, used \$3 million in tax credits for work on a plant in Windsor, Colo. The facility is open, but it's operating at relatively low capacity because of the sparse demand, Hexcel spokesman Michael Bacal said.

Hexcel qualified for \$8.1 million in tax credits, but it's unlikely that it will complete more of its facility or take the rest of the credits this year. It might use them in 2011 or 2012, however, depending on demand, Bacal said. When fully operational, the plant will hire about 80 to 90 people.

Hexcel is across the street from Vestas' first U.S. factory, which opened in 2008. Two other Vestas factories for wind turbine parts in Brighton and a tower factory in Pueblo, Colo., are under construction. The three new factories qualified for a combined tax credit of \$51.8 million.

Vestas recently stopped production at its first factory, however, because of the tight credit market and low demand, said spokesman Andrew Longeteig. About 500 workers still get paychecks, and the company doesn't expect the hiatus will last long. Still, its other three plants mostly haven't begun hiring yet.

"As far as we know, for now" production will begin later this year, Longeteig said. "That's the plan, once the market picks up."

Craig Giffi, the head of the consumer and industrial products group at the accounting and consulting firm Deloitte, said he isn't surprised that some of the wind-manufacturing credits aren't being used immediately.

Giffi said the credits were helpful for manufacturers, but other obstacles had to be overcome, including declining energy use, lack of credit, and the absence of a national policy that assures investors that wind energy will remain a solid investment.

"There's no question there's an opportunity out there for green manufacturing jobs, but I think the data over the last year would point to probably there are some struggles in the area of creating those green manufacturing jobs, certainly at a level that would make a big dent in unemployment," he said.

Giffi said he expects clean-energy manufacturing jobs to increase as the economy improves and as the White House sets standards that make investors comfortable.

Some of the factories that qualified for the tax credits plan say it already helped them grow.

Enertech, Inc., a small company with 10 employees just north of Wichita, Kan., for example, got a tax credit of \$157,500 to expand its plant to make small turbines. It plans to install the equipment next month.

"Right now the market is slower than what we'd like but I don't think it's as bad as some other sectors of the economy," said Dylan Jones, who's in charge of sales.

John Grabner, the president of Cardinal Fastener & Specialty Co. in Bedford Heights, Ohio, another recipient of the tax credits, said his

company's business was increasing quickly due to strong demand for the fasteners it makes for wind turbines. The company, soon to run out of capacity, has purchased new equipment and plans to double employment to 100 this year, Grabner said.

"Demand is exceeding our original expectations, so we have to figure how we're going to cope with that," he said. Grabner added that Cardinal has displaced suppliers of wind parts from Europe and Asia to the U.S. market.

The German company Nordex qualified for \$22 million in tax credits for its first U.S. factory for [wind turbines](#) in Jonesboro, Ark. Spokesman Ralf Peters said the factory is expected to begin operating in September and to employ 700 people.

Schuff Steel Co., however, which also qualified for a tax credit, said it is waiting to see if it will build the new wind tower factory it planned for Bismarck, N.D., that would hire 300 people.

The company said in a statement that the \$7 million tax credit "is a key factor in our decision-making regarding the large capital investment required" for the new plant. It added that it's trying to secure financing and finalize orders from potential customers.

Dennis Randall, the executive vice president and general manager at Schuff Steel's Midwest Division, said that current demand for towers already is satisfied with existing capacity. "That's the biggest obstacle at the moment."

"We've very bullish on the wind industry in general," he said. "We see it as an emerging industry. There's certainly strong evidence of that, especially with the mood of the country and the move toward green energy." He added, however, that government support would be needed

"for a number of years" to make wind economically viable.

The total installed generating capacity from wind in the U.S. is now more than 35,000 megawatts -- compared with about 330,000 megawatts from coal. The wind trade group estimates that U.S. wind power will eliminate 62 million tons of heat-trapping carbon dioxide annually, the equivalent of taking 10.5 million cars off the road.

(c) 2010, McClatchy-Tribune Information Services.

Citation: Despite millions in tax credits, wind energy firms aren't hiring (2010, February 8) retrieved 24 April 2024 from

<https://phys.org/news/2010-02-millions-tax-credits-energy-firms.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.