US, Europe look to China for clean energy sales

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(AP) -- U.S. leaders want China's clean energy boom to drive technology exports and are sending a sales mission to Beijing this week. But Beijing wants to create its own suppliers of wind, solar and other equipment and is limiting access to its market, setting up a new trade clash with Washington and Europe.

China passed the United States last year as the biggest clean power market, stoking hopes for Western sales of wind turbines, solar cells and other gear. But U.S. and European companies find that while Beijing welcomes foreign technology, it wants manufacturing done here and know-how shared with local partners. In the wind industry, foreign suppliers with factories in China say they are shut out of major projects.

"China is very keen on being able to depend on themselves," said Frank Haugwitz, a renewable energy consultant in Beijing.

U.S. Commerce Secretary Gary Locke says clean energy sales to China can help fulfill President Barack Obama's pledge to double U.S. exports over the next five years and create 2 million jobs. Locke is leading a group of 24 American suppliers to Beijing and Shanghai this week to drum up business.

"There is an incredible opportunity for companies all around the world to help China meet its energy goals of reducing greenhouse gas emissions, becoming more energy efficient," Locke said in Hong Kong Sunday at the start of the trade mission.

"China, given the incredible challenges that it has, should be, in my view, taking the best technology from wherever - whether it's China, the United States, Europe, Japan or anywhere else," he said. "Of course, we believe that in many areas, the United States is the world's leader in some of this technology."

But Chinese leaders want clean energy to be one of a series of emerging industries with their companies playing a leading global role. They are using regulations to ensure the bulk of Chinese sales go to local producers.

"There is a clash there that I think is going to become more and more prominent unless both sides come to some agreement," said Jim McGregor of APCO Worldwide Inc., a consulting firm, and a former chairman of the American Chamber of Commerce in China.

China already is embroiled in an array of disputes with Washington, Europe and others over currency, trade in goods from steel to shoes to chicken and Beijing's industrial policies that favor Chinese companies in areas including computer security and telecoms at the expense of foreign competitors.

Washington and Beijing have so far avoided a formal dispute over clean energy and have pledged to cooperate in research.

The potential Chinese market is huge: Beijing invested $34.6 billion in renewable energy last year, nearly double U.S. spending of $18.6 billion, according to a report by the Pew Charitable Trusts.

Foreign suppliers range from General Electric Co. and Europe's Siemens AG to Denmark's Vestas Wind Systems A/S and smaller startups. Products run the gamut from 20-story-tall wind turbines to generators powered by chicken manure.

"Low-carbon development in China represents an enormous opportunity for American businesses," said David Sandalow, an assistant U.S. energy secretary, in an April statement to the U.S.-China Economic and Security Review Commission.

The biggest impact of China's industrial curbs has been in wind. Beijing has declared it a strategic industry and wants to build local turbine producers such as Goldwind Science & Technology Ltd. and Sinovel Wind Co. into global players. Chinese companies also get grants and tax breaks to develop solar, biomass, fuel cell and other technology.

The foreign share of China's wind turbine market plunged from 70 percent in 2005 to 12 percent last year, according to the European Union Chamber of Commerce's Renewable Energy Working Group. The chamber complains that Chinese authorities help local companies by basing purchases on upfront prices and ignoring a project's lifetime cost, where more durable foreign equipment wins.

Beijing has aggressive plans to promote renewable energy to curb pollution and reliance on imported oil and gas, which communist leaders see as a strategic weakness.

A 2005 government plan called for at least 15 percent of China's power to come from wind, solar and hydropower by 2020.

"China is emerging as the world's clean energy powerhouse," said the Pew report.

Beijing has faced complaints by the United States, Europe and others over its efforts to promote Chinese companies and press foreign suppliers to hand over technology in other areas including computer security and mobile phones.

Until last year, Beijing required that wind turbines sold in China contain 70 percent Chinese-made parts. That rule was scrapped in September but only after GE, Vestas and others had set up factories in China.

Beijing can limit access to government-financed projects because it has yet to sign the Government Procurement Agreement, a treaty that extends World Trade Organization free-trade rules to official purchases and would require it to treat suppliers equally.

In a written response to questions, the U.S. Embassy in Beijing said Washington has not received formal complaints from American companies about China's wind policies and they are not considered a trade issue.

In solar power, China already is a top exporter of photovoltaic cells but its factories rely on foreign-made production machinery. Beijing is promising Chinese companies support to develop their own.

"This dependency is something China would like to reduce," said Haugwitz.

Beijing's vision of the foreign role in its industry is reflected in a plan by Phoenix, Arizona-based First Solar Inc., the leading maker of solar cells, to build the world's biggest solar power project on 25 square miles (65 square kilometers) of China's northern grasslands.

First Solar says it will manufacture equipment in China using new "thin film" technology that local rivals have yet to develop and will train Chinese partners.

"The government's position is, you can come in but you have to offer us something more advanced than we already have or it's going to be more difficult," said Damien Ma, an analyst for Eurasia Group in Washington.

Industry analysts point to Chinese-foreign joint research as a possible way to ease trade strains and maintain access to China's market.

The U.S. and Chinese governments agreed to last year to launch a joint $150 million research venture on clean vehicles, more efficient buildings and other technologies.

Last year, Germany's SolarWorld AG agreed to provide technology to China's Suntech Power Inc., the second-biggest maker of solar cells after First Solar. General Motors Co. and others have research ventures with Chinese companies and universities on alternative fuels and other fields.

Beijing's need for technology means foreign companies are likely to continue to get market access in exchange for it, Ma said.

"There is no way they are going to fully close the sector," he said.