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Gamesa announces new jobs at grand opening

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By SHAWN PIATEK
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EBENSBURG— Only 14 months ago, representatives from Spain-based Gamesa, along with state and local officials, braved cold, wet weather in an empty field just south of Ebensburg.
They speculated on the promising future in store for that plot of land.
On Monday, many involved in that initial meeting returned, only this time they were shielded from the elements by Gamesa's new Fiberblade plant. The 204,000-square-foot, $25 million plant provided more than enough space to the few dozen people who showed up to officially welcome Gamesa to the neighborhood.
"You guys have got one hell of a team here," said U.S. Rep. Jack Murtha, D-Johnstown, directing his comment toward Gamesa Chairman Alfonso Basagoiti.
"I remember standing here a year ago – it was a cold day – and you said this plant would be up and running in a year. If this were a Department of Defense project, it would have taken five years just to get the planning done. I'm impressed."
Basagoiti added to the celebratory mood with two important announcements:
n First, the plant is already at 205 employees with plans to add 30 more workers in the coming years. When the company held its groundbreaking last year, it estimated it would open with 180 employees.
n Secondly, Basagoiti said the company already has enough orders to keep the Cambria Township plant busy through 2008.
"Gamesa arrived in the U.S. four years ago looking to do business," Basagoiti said. "We were looking for a place with high demand for renewable energy. We found that here in Pennsylvania."
Gov. Ed Rendell said part of the reason Gamesa found the state – where it has its American headquarters based in Philadelphia – so attractive was due to the passage of the Advanced Energy Portfolio Standard law.
It dictates that 18 percent of all retail energy generated by 2020 comes from clean, efficient and advanced resources, with the aim of creating jobs and cleaning up the environment.
"This is a wonderful day for Cambria County, Pa., and the rest of the country, as well," Rendell said.
"Actions have consequences. When we put the Advanced Energy Portfolio Standard in front of the Legislature, I'm sure even the good representative from here in Cambria County didn't have any idea how the passage of the bill would have a direct influence on major investment coming to Cambria County."
The Spanish wind-energy company is investing $84 million to locate its U.S. headquarters and four manufacturing facilities in Pennsylvania. Aside from Ebensburg, three new advanced technology plants are planned for Bucks County. There, as many as 300 workers will produce blades and towers and assemble nacelles, which house the turbines.
Johnstown Regional Industries was one of the main players in persuading Gamesa to invest in Cambria County. Linda Thomson, JARI chief executive officer, said her organization was pleased to be able to deliver on all promises it made in terms of what the region could offer Gamesa.
"This type of development is an exception to the rule in terms of what we usually see," Thomson said. "This is a very large investment – $25 million – and that's not the type of investment that comes along every day.
"But we're always looking out for new opportunities. That's just how the private sector works. Whenever they're ready to invest, we have to be ready to move to capitalize on the opportunity."
Gamesa, headquartered in Victoria, Spain, is the only vertically integrated wind-energy company in the world, meaning it manufactures the parts for wind-energy units and then develops the wind farms itself.
Pennsylvania remains a leader in wind production east of the Mississippi, with 153 megawatts that provide enough clean energy to power 70,000 homes.

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Photos

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Spain's Gamesa wins multibillion-euro supply deals with Iberdrola

Spanish wind farm maunfacturer Gamesa said on Tuesday it had signed an agreement worth more than 2.3 billion euros (2.9 billion dollars) to sell wind farms to electricity producer Iberdrola.

The order, for the delivery in 2008-09 of wind farms with a power-generating capacity of 2,700 megawatts (MW), was the largest in the history of the wind energy sector, Gamesa said in a statement.

The deal amounts to 80 percent of Gamesa's estimated production capacity for 2008.

Gamesa said it had also signed a separate multibillion-euro deal with Iberdrola, one of its main shareholders, to supply and install wind farms in the United States.

The price of the contract would be between 0.7 and 1.1 billion dollars (0.6 and 0.9 billion euros) depending on when the wind farms were installed and what their final power-generating capacity was, the company said.

Initially the US contract would be for wind farms with a total power-generating capacity of 500 MW, which would come on stream before the end of 2009. Iberdrola was expected to acquire US wind farms amounting to another 500 MWs at a later stage.

A spokesman for Basque-based Iberdrola, which holds a 17-percent direct stake in Gamesa, said the total size of the two deals with Gamesa amounted to orders worth about three billion euros.

Gamesa is the second largest manufacturer of wind turbines in the world behind Danish rival Vestas Wind Systems.

The company employs 3,700 people and posted sales in 2005 of 1.745 billion euros.

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Turbine shortage knocks wind out of projects

By KEITH JOHNSON
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AP/FILE

Offshore windmills in the North Sea off the coast of Denmark.

The race to build new sources of alternative energy from the wind is running into a formidable obstacle: not enough windmills.

In recent years, improved technology has made it possible to build bigger, more efficient windmills. That, combined with surging political support for renewable energy, has driven up demand. Now, makers can't keep up, mostly because they can't get the parts they need fast enough.

Numerous wind-power projects from Virginia to California have been stalled due to the shortage. But for some renewable-energy companies in Europe, where wind power has been in vogue for almost two decades, the logjam is a lucrative opportunity.

These firms anticipated a shortage of turbines and locked in orders with makers. They're now using their considerable buying power to gobble up smaller utilities in the U.S. that couldn't otherwise get their hands on turbines.

That was the case with Community Energy Inc., a firm in Wayne, Pa. After trying for years to kick-start wind-power projects in the U.S., the company had built only two small wind farms; a third sat idle. Brent Alderfer, the founder and chief executive, said he had few problems acquiring the necessary permits and funding. But when it came to getting windmills, he faced a multiyear delay.

"We were like an airline sitting there and being told we had to wait three years to get our airplanes," he says.

In late 2005, Alderfer contacted Iberdrola SA, a Madrid-based utility that has emerged as one of the world's leaders in renewable energy. Six months later, Iberdrola purchased Community Energy for $40 million. Two months after that, technicians had outfitted the company's stillborn project with gleaming white turbines that started churning out enough clean electricity for about 6,500 homes.

"We couldn't have done this on our own — not then, not in five years' time," says Alderfer.

Moving parts

Modern wind turbines are astonishingly complicated machines, containing more than 8,000 components and requiring special transformers to turn their spinning blades into electricity.

Though commonly called windmills, they're technically wind turbines. Manufacturers depend on a network of component suppliers that, in turn, need years to ramp up production. That's created a bottleneck for the turbinemakers.

Iberdrola's strategic advantage stems in part from $4.09 billion bet it made last year to lock up most of the order book of Spanish turbinemaker Gamesa SA, the world's second largest, through 2009. Iberdrola also holds a 24 percent equity stake in Gamesa.

In addition to Community Energy, Iberdrola snapped up two other small U.S. developers last year in Iowa and Virginia, both of which lacked the funding and the turbines to get going. Last month, it entered into a deal to buy its first regulated U.S. utility company, Energy East Corp., of Portland, Maine, for $4.58 billion, in part to take advantage of U.S. tax credits for wind.

Though still a relatively small force on the U.S. energy grid, wind power is on the rise as oil prices and environmental concerns soar.

Governments from Beijing to Sacramento are showering the sector with subsidies in an effort to boost production of clean energy and reduce emissions of greenhouse-gases such as carbon dioxide.

Europe now plans to produce 20 percent of its energy from renewable sources by 2020, up from about 6 percent today, with wind power playing the leading role.

In the U.S., more wind power was installed last year than in any other country in the world: 2,454 megawatts, or more than the equivalent of two nuclear reactors.

Locally, officials with state grant money are setting up a monitoring station at the former Charleston Naval Base to study the coastal breeze 150 feet in the air to gauge whether there is enough wind up there to generate electricity. There are no plans for a turbine at this point.

Despite the recent action, the U.S. still lags behind other countries that have spent decades nurturing wind power with subsidies and price supports. Germany has fewer wind resources — breezy, wide-open spaces — than the state of North Dakota, for instance, but has twice as much wind power as the entire U.S.

Spain, with one-seventh the population of the U.S., has the same amount of wind power. Overall, only about 1 percent of power in the U.S. comes from wind.

The turbine shortage could have a significant impact on how quickly the industry can continue to grow in the near term, as well as on what shape it will take in the future. Just five manufacturers produce more than 80 percent of the world's wind turbines. A midsize, 1.5-megawatt turbine costs about $1.2 million.

Miguel Salis, head of the Madrid-based Eolia, a fund that supplies financing and development know-how to small wind-farm developers, says "The biggest restriction right now to wind power's growth — everywhere, not just in the U.S. — is the lack of turbines."

He says that so many developers have "projects under way but can't get them completed, often because the turbinemakers don't give them the time of day."

Roller coaster ride

Because wind power was basically a cottage industry until recently, it was slow to develop a large group

of professional manufacturers. Some turbine manufacturers, such as Siemens Wind, are offshoots of large engineering groups. General Electric Co. bought Enron's wind division when the Houston company imploded. Gamesa started life half a century ago designing propeller blades for aircraft and still makes most of its own blades.

In the U.S., there's another potential threat to growth: erratic government support for wind power.

Even though wind power has made technical strides recently, energy firms still rely on subsidies because it costs more to generate electricity with wind turbines than other power plants such as coal, natural gas or nuclear. Wind power requires intensive capital investment in a short period of time and has added costs such as upgrading transmission systems. According to the International Energy Agency in Paris, wind farms cost between 4 and 14 cents to generate a kilowatt hour; coal-fired plants cost between 2.5 and 6 cents.

Some 20 states now have price supports for wind-generated electricity, and there is a federal tax credit to encourage new wind-park development. But there is no federal requirement for utilities to buy green energy, as there is in the United Kingdom, Denmark and Germany.

The lack of a stable, long-term regulatory environment has created a wind-power roller coaster. Developers were never sure their projects would make economic sense a few years down the road if the regulatory climate changed. Foreign turbine manufacturers were reluctant to build U.S. factories.

Today, states such as Iowa, Pennsylvania, Minnesota and Oregon have gone out of their way to lure foreign turbinemakers.

Suzlon is building a turbine plant in Minnesota. Siemens Wind and Acciona Energia SA of Spain both announced plans to open turbine factories in Iowa. Gamesa has three plants operating in Pennsylvania.

In North Carolina, PG Industries, which cut hundreds of jobs while competing with China to manufacture fiberglass several years ago, is now spending $20 million over three years to manufacture the product for turbine blades near Shelby. The American Wind Energy Association, a nonprofit that promotes the industry, says factories in the Carolinas are perfect for making the windmill tools.

In a few years' time, the new factories could help ease the current bottleneck. But in the short term, the supply crunch has shaken the economics of wind power.

Lots of room

In some ways, wind power is a victim of its own success. Rising fossil-fuel prices and bigger and more sophisticated turbines have brought wind power closer than ever to being competitive on price with traditional power sources. Modern machines are 10 to 20 times the size of the windmills first installed in California in the 1980s. Bigger machines have exponentially changed the economics of wind power because they take better advantage of the wind and work more hours than the smaller, older machines.

That, in turn, has sparked a boom in demand for new wind-power projects worldwide.

Better technology and growing political support for clean energy should have made life easier for Community Energy. When Brent Alderfer started his company in 1999, there were no commercial wind farms operating east of the Mississippi.

Instead, as wind power became more attractive, his job got tougher. After finishing the second wind farm, a modest 24-megawatt project in New Jersey, Community Energy executives realized that upcoming projects would have to be much larger in order to be economically feasible. Some would require as many as 100 new turbines.

"The whole thing moved quickly beyond our ability to finance it," Alderfer says.

The U.S. wind industry was in one of its periodic booms. After two years with virtually no new wind power, federal tax credits were renewed for 2005 and 2006. Suddenly, wind farms were cropping up everywhere. Oil-rich but windswept Texas overtook California as the leading wind-power state.

Community Energy was trying to stay in the race. In late 2005, the company sought to outfit its latest wind farm, at Locust Ridge, Pa., but couldn't get the machines. Locust Ridge was put on hold again.

Then he decided to call Iberdrola, the Spanish utility. At the time, Iberdrola didn't yet have a beachhead in the U.S., and executives thought it was a potential gold mine. Wind energy in the U.S. "is like Europe was years ago," says Xavier Viteri, the 46-year-old head of Iberdrola's renewable-energy business.

"There's a lot of room for development there, and there is a lot of expertise here."