

UNITE THE UNION - BRIEFING

CAMPAIGN TO SAVE VESTAS WIND TURBINE PLANTS

THE CASE FOR A WIND TURBINE INDUSTRY ON THE ISLE OF WIGHT



On 28th April 2009 Ditlev Engel, chief executive of Vestas Blades, announced that 625 workers would lose their jobs as a result of the wind turbine company's plans to close both its UK manufacturing plants, in Newport on the Isle of Wight (525 jobs) and in Southampton (100 jobs), in June or July this year.

The company is England's only wind turbine manufacturer. It also announced the closure of one of its Danish plants and job losses totalling 1,200 in that country (where it is headquartered).

It is the company's intention to transfer production to new plants in China and three new plants in Colorado, though it has stated it will keep the research and development facility at Cowes on the Isle of Wight.

To date, the site has made primarily blades for the US market. Last year it announced it intended to re-tool production for the UK and European markets, but it has gone back on these commitments and now claims insufficient demand and therefore it is not cost effective, citing also lack of bank finance and lack of 'political initiative' from the UK government.

Unite's position

Unite has argued that the wind energy sector is not a 'sunset industry' - renewable energy is in fact a 'sunrise industry' which has the potential to generate nearly quarter of a million UK 'green' jobs, helping lead the UK out of the recession and towards energy security. Unite believes this is vital green industry is in danger of being totally lost to countries which are doing more to support this emerging market.

This would be a disaster from the point of view of green jobs, and the long term sustainability of the UK, as well as for the regional economy (the jobs under threat make up 12 per cent of the manufacturing jobs on the Isle of Wight and also support regional jobs in supply chain).

Vestas is a highly profitable company - group pre-tax profits of euro 803 million last year, up from euro 579 million in 2007, with the UK group also producing rising multi-million pound profits each year.

Off shoring

The company's argument to move production out of the UK is that it will be more profitable to manufacture turbines in China and the US, whose economic stimulus packages have included a higher proportion of 'green stimulus' than the UK.

Unite believes this argument is flawed and that there is a strong case for Vestas - or indeed another company - to continue to make wind turbines at the Newport site.

The UK, and the rest of Europe, has legally binding targets to generate 35 per cent of its electricity from renewable sources (primarily wind) by 2020, up from 15 per cent today.

Therefore, the market will need many more turbines - and indeed turbine shortages were being cited until very recently. The UK has the best 'wind resources' in Europe and

among the best in the world, but currently generates less power from this source (under 5 per cent) than most other large economies.

Unite believes it is not cost effective to ship turbines long distances so the markets will seek the nearest possible production - if not from the UK, then elsewhere in Europe.

Vestas' Isle of Wight site drew on the Isle of Wight's expertise in fibre-glass manufacturing (arising out of diversification from the yacht industry). There *are* issues around planning (particularly onshore) with two and half times more wind capacity stuck in the planning system than currently in place. Unite is calling on the government to take steps to address this.

Unite also wants the government to do more to support the renewables industry and the development of the market. Recent support for offshore wind - £525 million in the budget - is welcome, but more could be done to support onshore wind, which can deliver jobs and environmental benefits more quickly and cost effectively.

Lord Turner, chair of the Committee on Climate Change and Sir Nicholas Stern, the government's chief economist, have both cited the renewables industry generally as one of the three key 'green' industries that would be cost effective and timely to support to help reflate the UK economy (the other two being home energy efficiency, and green vehicles).

The Department of Business, Enterprise and Regulatory Reform (formerly the Department of Trade and Industry) found that wind energy had one of the highest 'jobs per megawatt' ratings of any form of energy generation.

Renewables strategy

The government will be announcing a 'Renewables Strategy' in the summer and Unite believes that Vestas should 'hold fire' until then, to give the government the chance to stimulate the domestic market for wind turbines, particularly in relation to onshore wind. This strategy needs to include measures to:

- Address blockages in the planning system, which has been called 'the most difficult in the world' by Vestas' CEO Ditlev Engel
- Introduce feed in tariffs for large scale wind, which has driven rapid expansion of wind energy in most other large economies and at lower cost to the energy consumer than the UK's current system
- Take steps to ensure that banks free up investment for sustainable investment to create good, green jobs
- Ensure there is sufficient investment in grid expansion
- Invest more in skills for renewable energy
- Consider following the Spanish example of only allowing planning permission for sites, if those turbines are at least in part manufactured in that region (EU social and environmental clauses that make this an entirely legitimate practice)

If, having taken these steps to stimulate demand, no company wishes to maintain or take on the site, then the government could look at:

- Supporting the site further to find a buyer - last year Vestas shed its Scottish site. Jobs were saved after the Scottish government invested £10 million which leveraged a £27 million investment from a new Danish company.
- Alternatively, consider whether the taxpayer would get better value for money and more secure jobs if the sites were taken into some form of municipal or public ownership.

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