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Wind-Power Firms on Edge

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By RYAN TRACY

WASHINGTON—Wind power is facing a make-or-break moment in Congress, with renewable-energy firms' projects on hold as lawmakers debate whether to extend subsidies for new wind farms this month.

Currently U.S. tax credits are available only for facilities that come online before the end of 2012. Iberdrola Renewables, the second-largest U.S. wind operator, has suspended work on new U.S. projects for "anything we can't build in 2012," said Rich Glick, vice president of government affairs for the unit of Spain's Iberdrola SA.

Industry players see two main chances for Congress to act this year. One comes in February, when the wind subsidies could be tacked on to an extension of payroll-tax cuts. The other would come in the lame-duck session after November elections, when lawmakers must address the expiration of tax cuts from 2001.



The tax credit has helped bring down the cost of wind power, making it more competitive with rival producers, but wind's backers say they need a few more years to build out a U.S. supply chain. The sharp fall in U.S. natural-gas prices has made this a particularly sensitive moment for wind energy by giving gas-fired power plants an extra cost advantage.

Previous delays in extending the wind-farm tax credit, first enacted in 1992, have led to drop-off in wind installations. The credit, designed to help level the playing field with coal and other fossil fuels, is worth 2.2 cents per kilowatt-hour of electricity produced during the first 10 years a wind farm is in operation.

Richard Morrison, chief executive of Ohio-based Molded Fiber Glass, which makes wind-turbine components, said orders for early 2013 are already behind. For now, Mr. Morrison's employees are busy as developers rush to meet the end-of-year deadline.

A delay could also stunt efforts to bring down the cost of wind-power technology. "We face the loss of domestic expertise and the momentum to build a strong domestic supply base," said Luis Miguel Fernandez, chief corporate officer for the North American arm of Spain's Gamesa Corp., which has a factory in Pennsylvania.

Last month, Danish turbine maker Vestas Wind Systems AS said it will cut 1,600 U.S. workers if the tax credit isn't renewed, on top of 2,300 jobs it is already shedding world-wide. An industry-backed study by Navigant Consulting said in December that thousands of additional job cuts on top of those announced by Vestas could occur if the credit expires.

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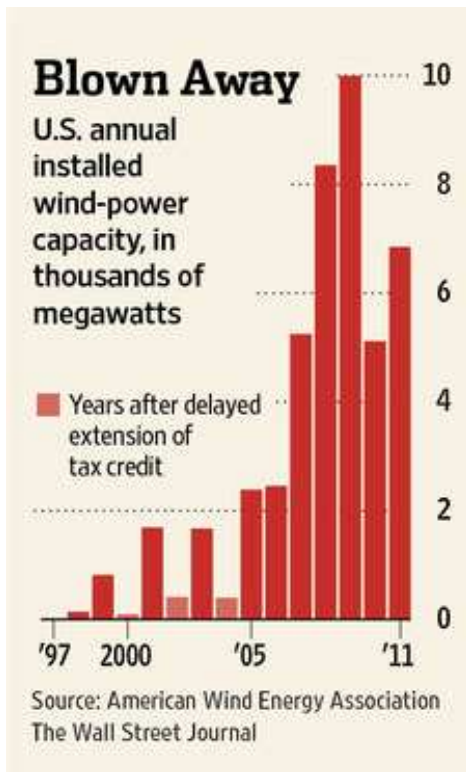
AMR Seeks to Cut 15% of Jobs



Romney Rides Fund-Raising Wave



About 6.8 gigawatts of wind power were installed in the U.S. in 2011, bringing the total nationwide capacity to nearly 47 gigawatts, enough to power about 12 million homes at any given time, according to the American Wind Energy Association. That is about 3% of total U.S. generating capacity.



Without the tax credit in place, Navigant said, about two additional gigawatts of wind capacity would be installed in 2013, as opposed to more than eight gigawatts expected to be added in 2012, when the tax credit will still be in place.

Other predictions are more dire. Iberdrola's Mr. Glick said there would be "close to zero" gigawatts of wind capacity installed next year without an extension soon.

Some in Congress say it is time to end subsidies for renewable energy. The wind industry "simply cannot continue to rely on the American taxpayer," said Rep. Mike Pompeo (R., Kan.), who has a bill that would cut many energy-related credits from the tax code. "Each time it comes up to a year of expiration, they say, 'If we just get a few more years our technology will mature and we will become more competitive.' It's time for them to figure out how to do that."

The industry's supporters argue that Chinese manufacturers also get government support, and they say companies need more time to build a U.S. supply chain and drive down costs.

Denise Bode, president of the American Wind Energy Association, said that in several years' time "we will not need" the tax credit but losing it now could stunt efforts to attract new investment.

Some U.S. facilities may keep going without the credit, thanks to foreign demand and mandates in many states for utilities to buy increasing amounts of renewable power.

Joe Baker, chief executive of Acciona Wind Power North America, a unit of Spain's Acciona SA, said his turbine-assembly facility in Iowa should be able to keep its work force at about 125 without the tax credit by shipping to Canada, Mexico or elsewhere. But he said he would hire more people if he knew the credit was staying.

Twenty-three governors have backed a bill that would extend the tax credit by four years. Senate Majority Leader Harry Reid (D., Nev.) said late last month the credit is "extremely important" and suggested it should be included with the extension of the payroll-tax break.

Some House Republicans have supported the four-year extension. But Rep. Dave Camp, a Michigan Republican and lead House negotiator on the payroll-tax bill, has said energy tax credits shouldn't be part of the payroll-tax discussions.

—Keith Johnson contributed to this article.