

Gamesa Technology Corporation

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May 10, 2012



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The Honorable Pat Tiberi
Chairman
U.S. House Ways and Means Subcommittee on Select Revenue Measures
106 Cannon House Office Building
Washington, DC 20515

Dear Chairman Tiberi:

Gamesa Technology Corp., Inc., a global leader in the design, manufacture, installation and maintenance of wind turbine generators and the development and sale of wind farms, was the first overseas wind manufacturer to set up full production facilities in the United States. In 2005, when we decided to build two manufacturing plants and locate our North American headquarters in Pennsylvania, it marked a major milestone for our nation: Instead of losing jobs overseas, we were suddenly luring overseas jobs here.

Today, Gamesa is the fourth largest wind turbine manufacturer globally, with more than 24,000 megawatts installed in 35 countries on five continents. Since locating here, we have delivered more than 3,147 megawatts to 36 wind farms throughout the country, and we have another 767 megawatts under construction or set to be delivered later this year in the United States. The turbines we manufacture here also are being exported to places like Canada, Mexico, Central America and South America, helping our nation regain its dominance in delivering advanced technologies. In 2011, Gamesa delivered 51 turbines (102 megawatts) for the first wind farm in Honduras, earning us the U.S. Export-Import Bank's "Renewable Energy Exporter of the Year" award.

Gamesa has invested nearly \$200 million in manufacturing facilities and expansions, growing operations to include sales offices in Dallas, Denver and Trevose, Pa., and development offices in Minneapolis, Houston and San Diego. As part of our global Corporate University program, we jointly operate a U.S. training center with Bucks County Community College, where we provide continuing education to existing employees and offer our customers and others skills training in wind energy technology. Through a partnership with the U.S. Department of Energy's National Renewable Energy Laboratory (NREL), we are helping to guide development of the next generation of wind turbines designed specifically for the U.S. marketplace.

A number of factors went into Gamesa's decision to locate in Pennsylvania and have driven our continued U.S. investments over the years, including incentives provided by the Production Tax Credit (PTC), which did exactly what it was designed to do --- encourage investments in clean, domestic energy and generate real economic growth and family-sustaining jobs. ***Gamesa supports an extension of the PTC because the PTC remains the critical bridge to enable wind energy companies to fully develop the technological innovations that can bring down the cost of wind energy, making it competitive to all other energy sources.*** EVERY source of energy enjoys some form of federal support. The wind industry only seeks a fair and level playing field. Not renewing the PTC would actually single out the industry as the only energy sector NOT receiving support --- and that's far from leveling the playing field.

It is our belief that the PTC will be needed no longer than three to four years and then can be phased out completely. In the short term, however, it remains critical to market stability and continued financial investment.

There is a common misconception that the PTC is a grant. It is not. It is a credit that comes into play only when the project has been built, connected to the grid and is generating taxable income. In addition, the amount of money spent on the PTC is more than compensated through the economic growth it generates through the investments in manufacturing facilities and associated jobs, the entire supply chain that supports the manufacturing and development, income to landowners, and taxes paid to local, state and federal governments.

In just three short years, the cost of wind energy has come down more than 25 percent. The cost of wind in 2008 was \$1.4 million per megawatt; in 2011, the cost of wind dropped to \$1 million per megawatt. In our 2011 business plan, Gamesa committed to bringing down the cost of energy by 30 percent over five years, and new advancements already have us well on our way to meeting that goal. While competition is certainly a factor --- technological innovations have played a major role. Modern turbines have vastly improved reliability and have significantly more megawatt output, and new designs on the drawing board will allow for more efficient use of materials and maximum wind capture.

Without the PTC, these advancements in technology will stall or be transferred overseas, and our nation will fall further behind other countries that invest in clean energy production. Long-term production plans for the introduction of new generation technologies are at risk.

Jobs are in jeopardy, too. Across the wind industry, layoffs have begun in some sectors. A recent Navigant study estimates that wind-supported jobs will drop by nearly half, from 78,000 in 2012 to 41,000 in 2013, purely due to that uncertainty, let alone a total absence of the PTC. Gamesa currently directly employs more than 900 skilled U.S. workers in a variety of disciplines, including engineering, manufacturing, assembly, logistics, construction, services and more.

The PTC sunset plays a major role in long-term investment decisions. Development decisions are being mapped out now, and the uncertainty of the PTC is affecting how companies like Gamesa and other alternative energy and wind energy companies do business. Wind developers have stalled projects beyond 2012, and commitments for equipment that would have been ordered for those projects have stopped. In part because of uncertainties surrounding the PTC, Gamesa recently froze development of its offshore wind turbine prototype planned off the coast of Virginia in the Chesapeake Bay.

As projects are delayed, the developing supply chain that has become so important for both the U.S. and export markets is in jeopardy of floundering. In fact, by the end of the second quarter of this year, Gamesa's supply chain will start to dwindle without orders, and the ripple effect throughout the economy will be significant.

The domestic content of our U.S.-made turbines is one of the highest in the industry. Over the last several years, Gamesa has purchased more than \$1.3 billion of U.S.-sourced content and services for the manufacture of its wind turbines and the development of wind farms. Those investments spread across 45 states, including Pennsylvania, where we get the bulk of our resources.

Despite the dire situation, it is not too late to turn things around. The cycle time for wind projects is 12 months to 18 months. So, by passing the PTC extension now, we can still positively affect orders in 2013 --- and bring certainty to the industry and employees working in these sectors. But we must pass the PTC extension now.

The PTC has been instrumental in the rapid expansion of our nation's renewable energy sector, and it remains critical to ensure Gamesa can meet its goal to continue bringing down the cost of energy generated by wind. Its continuation is critical to ensuring the ongoing investment of billions of dollars in development and deployment, the creation of tens of thousands of jobs in manufacturing and the installation and use of clean, renewable, indigenous energy sources across America.

On behalf of Gamesa, I respectfully urge immediate legislative action to extend the PTC and reassure the investment community so that the wind industry can continue to thrive, attract large-scale manufacturing investment and create jobs both here in Pennsylvania and across the country.

Sincerely,

David Flitterman
Chairman
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