

Testimony of
TPI Composites, Inc.

Before the
**Senate Finance Subcommittee on Energy, Natural Resources and
Infrastructure**

March 27, 2012

John P. Ragan
Vice President of Business Development and Government Affairs
TPI Composites, Inc.
Scottsdale, AZ

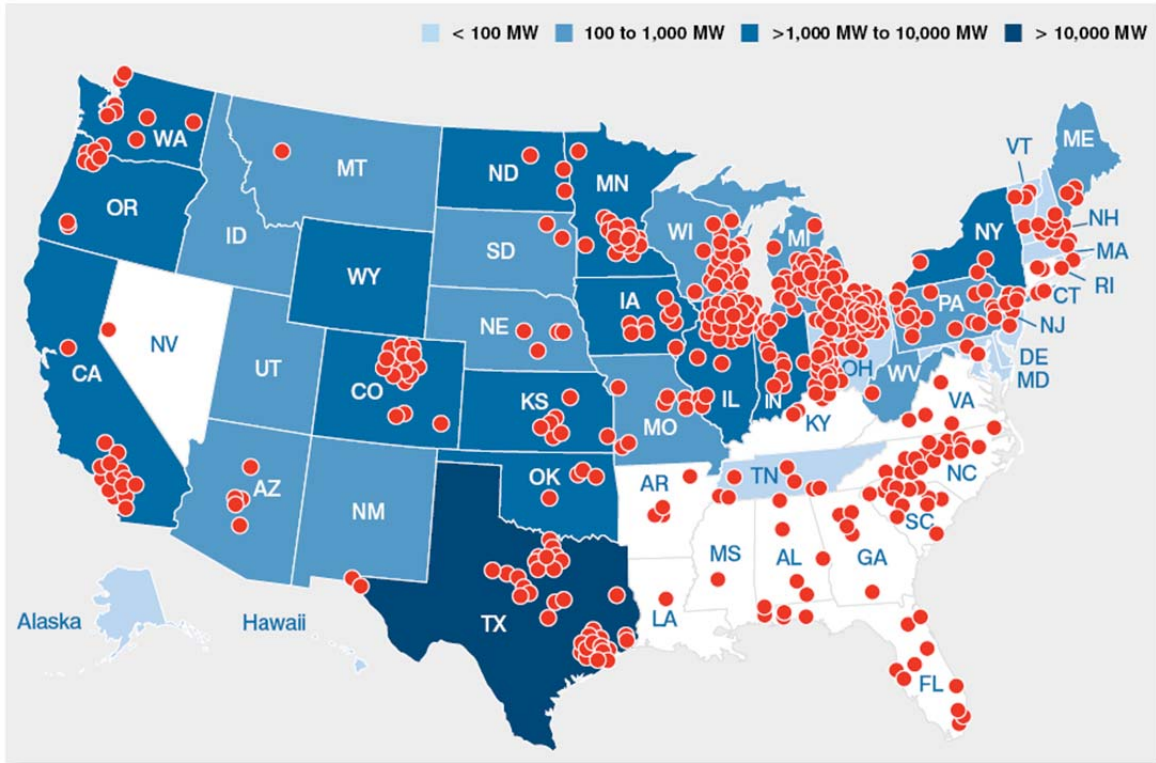
Good afternoon. Chairman Bingaman, Senator Cornyn, Members of the Committee, thank you for your leadership on this issue and for the opportunity to join you this afternoon to discuss the effect that the expiration of the Production Tax Credit (PTC) will have on wind energy companies like TPI Composites. I thank Senator Grassley for reintroducing his bill which will extend the PTC.

I appear before the committee as the Vice President of Business Development and Government Affairs of TPI Composites and as a corporate member of the American Wind Energy Association (AWEA). TPI is a manufacturer of blades for wind turbine makers including GE Energy and Mitsubishi Power Systems. With roughly 1,400 U.S. employees, TPI is headquartered in Scottsdale, Arizona and operates factories in Rhode Island, Massachusetts, Mexico, China, Turkey, and in Newton, Iowa, formerly the home of Maytag appliance manufacturing.

The wind energy industry is a U.S. manufacturing success story. U.S. wind experienced significant growth from 2004 to 2009, primarily due to a growing economy where energy consumption increased and state and federal policies promoted production of renewable energy. State renewable portfolio standards (RPS) and the federal PTC created reasonable stability for wind developers and suppliers to invest in wind farms and manufacturing plants. That growth led to the industry creating over 75,000 U.S. jobs and several thousand small to large U.S. companies participating in the chain. It also led to the wind industry becoming a significant provider of energy to consumers. Over the past five years, wind represented 35% of all new generating capacity installed. For five

consecutive years, wind has been second only to natural gas as a source of new electrical capacity. Through this time, investments in wind assets have topped \$20 billion a year. According to a U.S. Department of Energy report published during the George W. Bush Administration, wind power could provide 20% of U.S. electricity needs by the year 2030. It is estimated that meeting this goal from wind would create 500,000 U.S. jobs and reduce the current electric sector natural gas consumption by nearly 50%.

TPI Composites recognized the market opportunity years ago and opened its first dedicated wind blade plant in 2002. Since that time, we've added dedicated U.S. plants in Newton, Iowa and a blade development center in Fall River, Massachusetts. An important factor in our company's growth has been stable and pro market growth policies on the federal and state level. During most of the 2000s, the federal PTC allowed companies like ours to invest and grow supply chain plants around the country as demonstrated in the chart below. The result is over 470 factories across 43 states in the U.S. providing wind components.

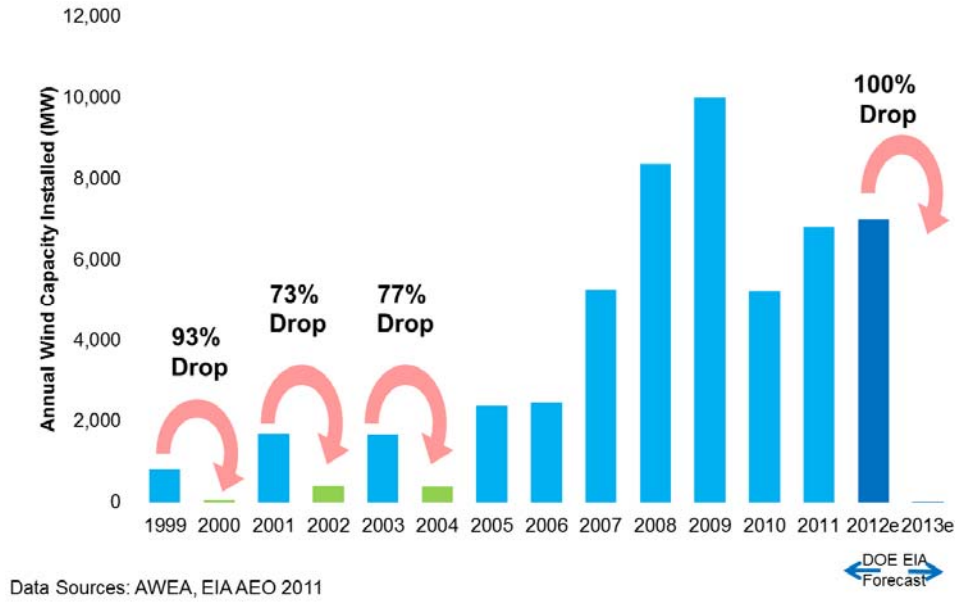


The resurrection of Newton, Iowa is a terrific American story. Newton is a city of roughly 16,000 residents, located 35 miles east of Des Moines. For many years, Maytag manufactured washers and dryers and maintained its corporate headquarters in Newton, employing 3,500 at its peak. After being acquired by Whirlpool in 2006, plans were made to consolidate manufacturing into existing facilities in Ohio and Mexico. The remaining 1,900 employees in Newton lost their jobs, the last on October 25, 2007. Because of the growth in the wind industry, much of it stimulated by the federal PTC, TPI built a plant in Newton in 2008 and today employs almost 800 people in the Jasper County region. TPI was not the only company who recognized the opportunity. Soon after TPI's arrival in Newton, Trinity Towers opened its facility on the abandoned Maytag campus, and hired over 125 employees to provide towers to many of the same

customers and wind farms to which TPI supplies blades. Second only to Texas for installed megawatts of wind, the state of Iowa is now getting 20% of its electricity from wind energy and employs thousands of citizens across the state. Newton and Iowa are shining examples of how to create a U.S. wind energy hub – none of which could have occurred without the PTC.

The opportunity to fulfill the wind energy industry potential is too important and too large for the U.S. not to forge ahead. Our work is not yet done. To achieve this desired economic and energy growth, I urge the U.S. Congress to pass a short-term extension of the PTC immediately followed by a long term debate on wind policy as part of structural tax policy reform.

Wind energy has been a source of important economic growth over the past seven years. But, the outlook for 2013 is bleak due to the pending expiration of the PTC. This tax credit has expired three times since 1999 leading, in each case, to dramatic declines (70 to 90 percent) in new wind power development.



Although the PTC technically expires at the end of 2012, practically it has already expired as the delay in extending the renewable energy credits is reducing investment in wind energy projects scheduled to come on line in 2013. Wind power plants and the component supply chain require months, if not years, of planning. Wind investors and suppliers like TPI want to know what tax policies will apply before they commit to projects for the next calendar year. A recent study by Navigant Consulting concluded that 37,000 jobs are likely to be lost with the effective expiration of the tax credits along with more than \$11 billion in clean energy investment.

The PTC is an effective tool that drives as much as \$20 billion a year in private investment and is at the heart of one of America's fastest growing manufacturing sectors. The PTC is not a handout. It is a business tax credit, with funding based solely on project performance, not evaluation by government officials. With a stable, low tax rate,

American wind power has provided more than a third of all new electric generating capacity across the U.S. in recent years and has kept the industry on track toward supporting 500,000 American jobs by 2030.

The federal tax code, as it exists today, is not a broad-based proportionate system where every industry pays its own fair share. Rather, it has specific tax incentives for all forms of energy, most of which is set in policy to promote economic growth. Trying to eliminate the PTC would place the wind industry at a tremendous disadvantage compared to other energy industries.

While an immediate short-term PTC extension is needed to stabilize the wind market, I also urge this Committee and Congress to work on a long term extension of the PTC as it considers overall structural reform of the tax code. Our hope is that industry and Congress can work together to reevaluate the PTC in a manner that:

- Enables the wind industry to continue its rapid growth as we chart a course to providing 20% or more of our nation's electricity from wind by 2030;
- Generates higher volume and more stability in demand - the lifeline to any successful manufacturing operation; and
- Provides investors with the confidence needed to fund new regional manufacturing facilities, which will create more cost-effective U.S. plants, which will, in turn, create stable U.S. manufacturing jobs.

Broad support exists across the political spectrum for extending the PTC. It is critical that this Congress act quickly to find a way through the current impasse and enact an immediate extension of the PTC. This is the starting point for U.S. job creation, a healthier economy and a cleaner energy future.

John P. Ragan
Vice President of Business Development and Government Affairs
TPI Composites, Inc
8501 N. Scottsdale Rd, Suite 280
Scottsdale, AZ 85258