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Utility Scale Wind Towers From China and Vietnam

Inv. No. 701-TA-486 and

731-TA-1195-1196 (Final)

Handouts to Accompany Domestic Industry Testimony
December 13, 2012

Vestas Should Be Excluded From The Domestic Industry

- Vestas' primary interest lies in importing wind towers.
- In its public filings, Vestas' claims that its new global sourcing strategy is to rely on outsourcing its production needs.
- The Commission was unable to verify Vestas' information.
- Vestas' own publically reported financial results shows that it has been operating at a loss for both 2011 and 2012
- Inclusion of Vestas' unverifiable data in the domestic industry will skew the domestic industry data

Demand Drivers

- Production Tax Credit ("PTC")
  - The expiration of the PTC at the end of 2012 lead to a significant increase in turbine instillations and construction.
- Investment Tax Credit ("ITC")
- Renewable Portfolio Standards ("RPS")
  - The RPS are set by the States and require a certain amount of renewable electrical generating capacity be installed.
- Utilities have a desire to have multiple types of electrical supply to hedge costs (coal, gas, wind, nuclear, solar).

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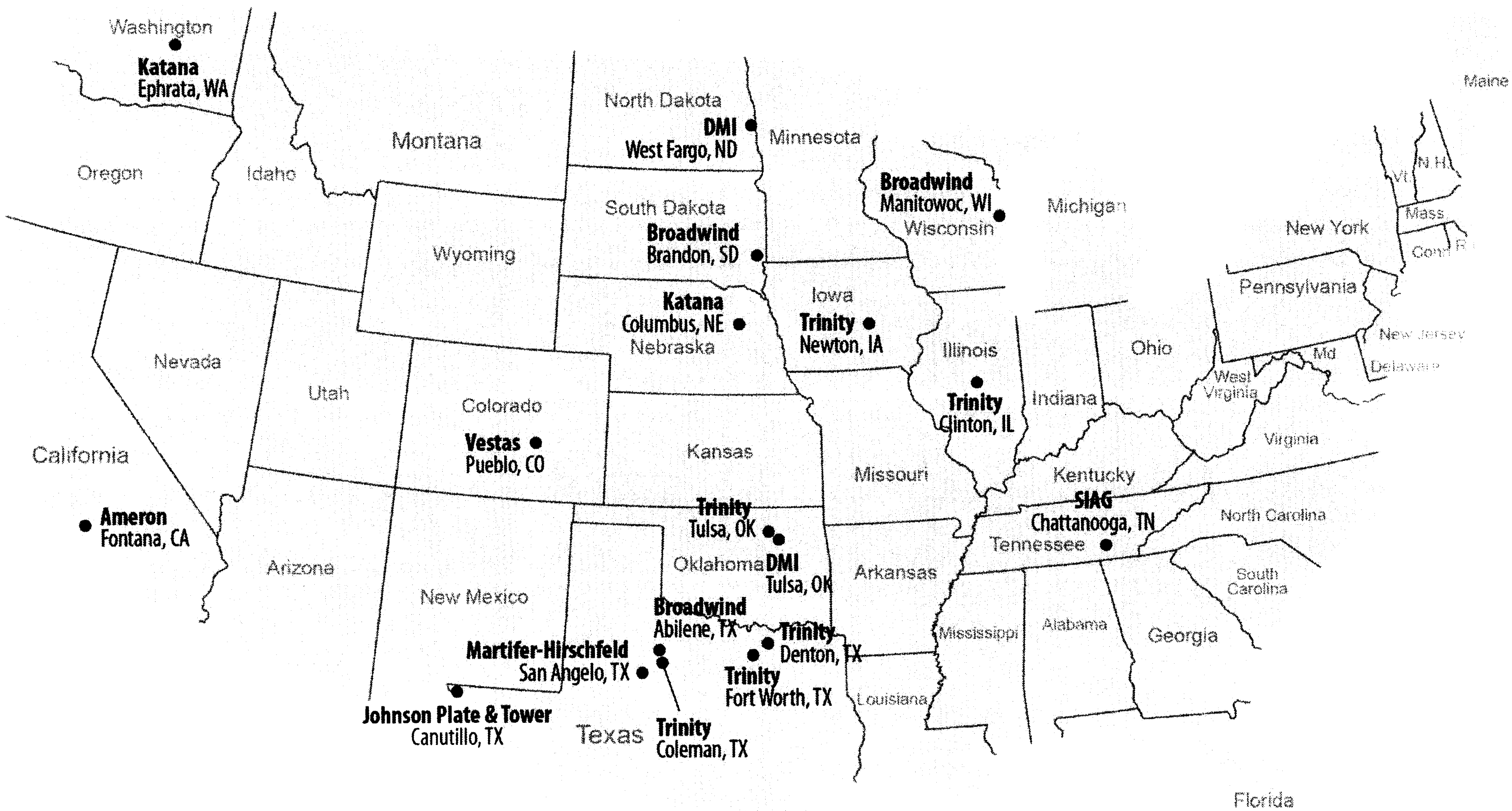
Supply Conditions

Despite increased demand and favorable government incentive programs, the U.S. industry has suffered significant shutdowns and production curtailments.

U.S. Wind Tower Industry Before The Surge Of Subject Imports



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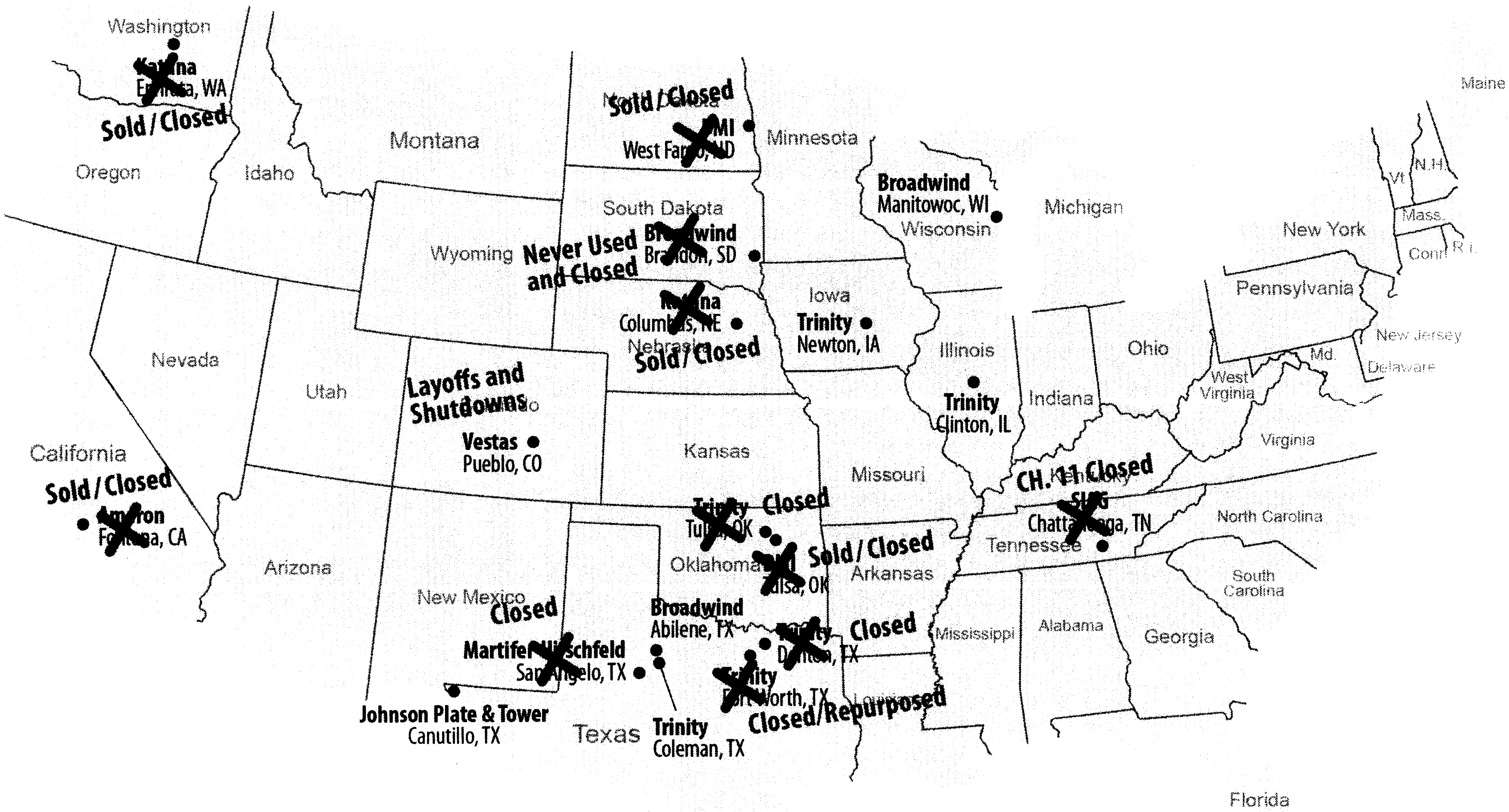

Other Conditions of Competition

Price Negotiations

- Because OEMs typically arrange for the transportation of the tower, negotiations focus on obtaining the lowest f.o.b. price for the towers.
- Objective evidence demonstrates that the OEMs and tower producers negotiate intensely over the f.o.b. price of the towers to be provided.

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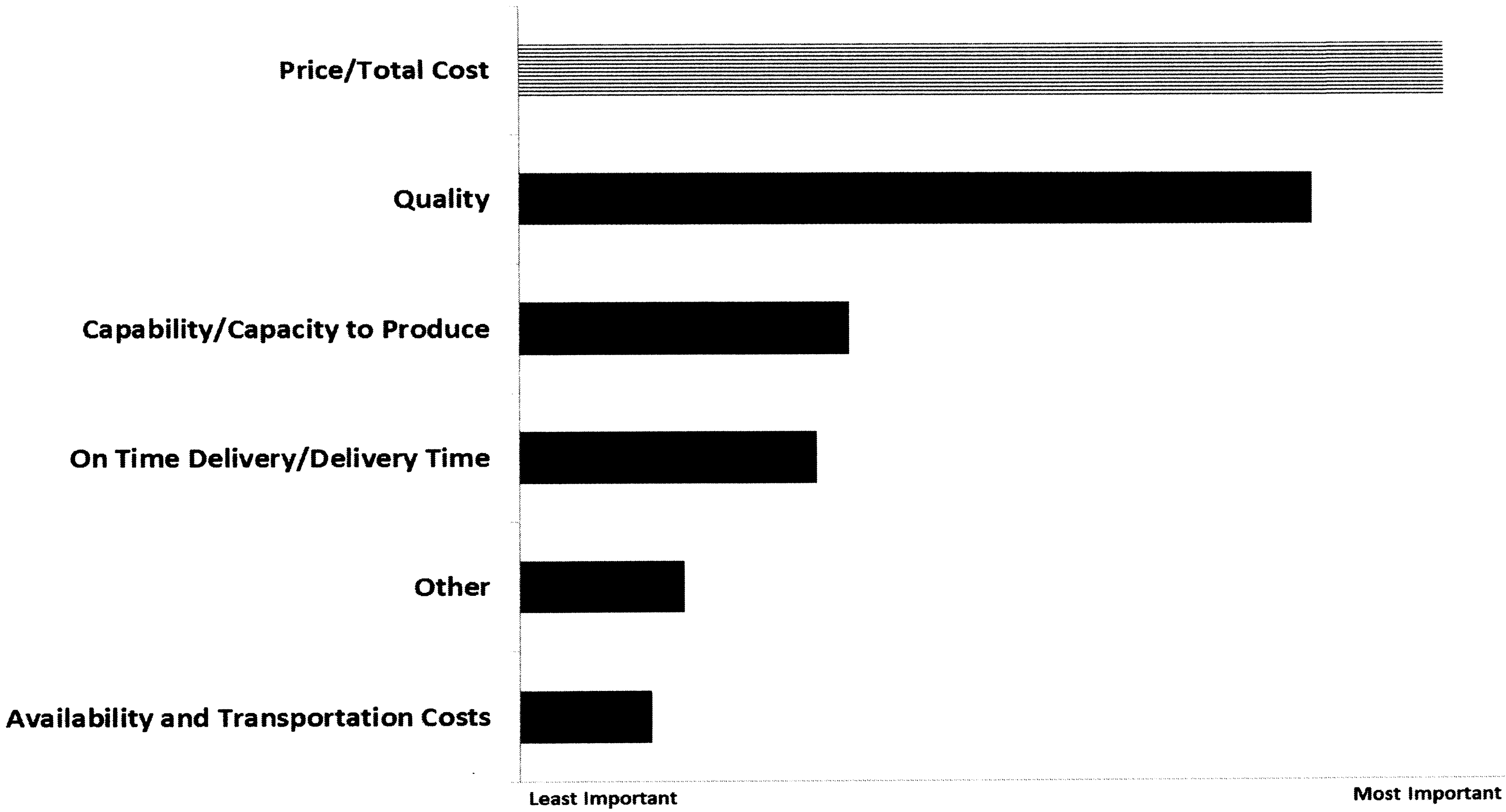
When Purchasers Were Asked To Rank The Factors That Were Most Important When Buying Wind Towers, Price/Total Cost Was Far More Important Than Availability Issues



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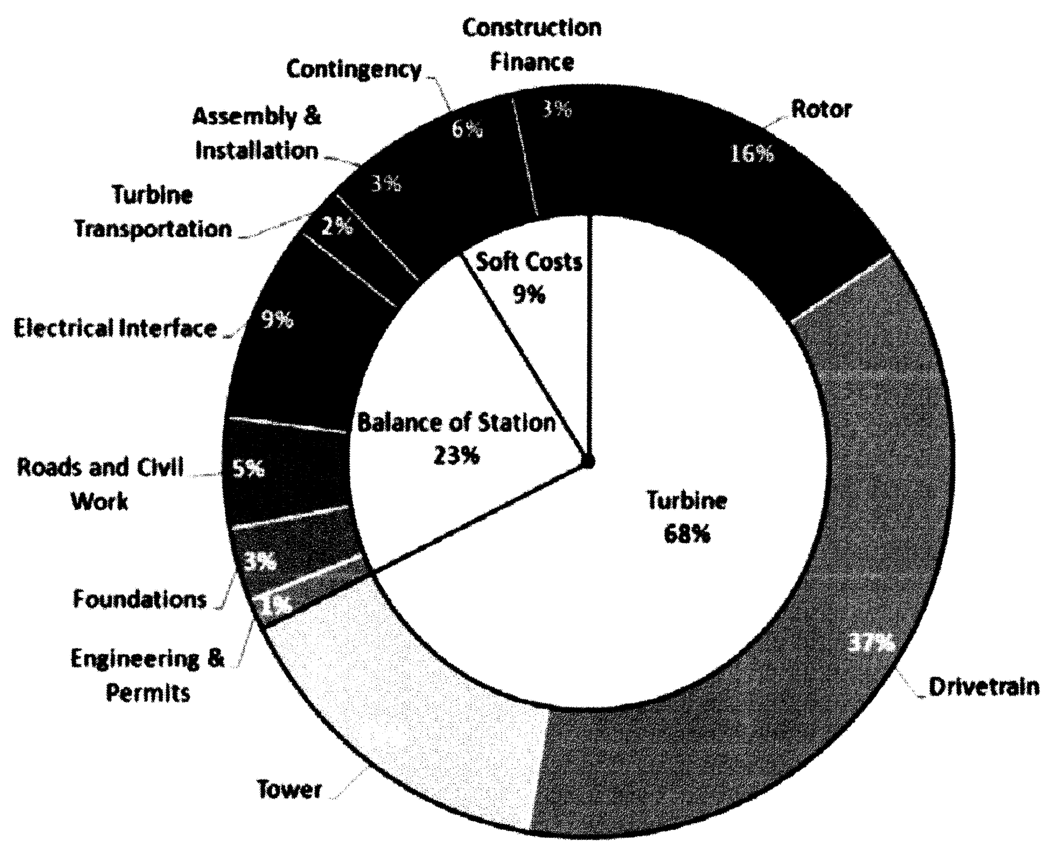
The Commission recognized that the price of the tower is a primary component of total landed cost and is therefore an important factor in the OEM purchasing decision.

"Price, the primary component of total landed cost, is therefore an important factor in purchasing decisions for OEMs. This is most clearly shown by the closed bidding process, which often includes more than one round of bidding and OEMs providing guidance to domestic producers on pricing." Preliminary Deter., at 23.

Transportation Costs For The Entire Turbine Reflect Just Two Percent (2%) Of The Installed Capital Costs For A Land-Based Wind Turbine



Source: Tegen, *et. al.*, "**2010 Cost of Wind Energy Review**," National Renewable Energy Laboratory Technical Report NREL/TP-5000-52920 (April 2012) at vi and at 9.

As a result, of declining demand and turbine pricing, the OEMs began turning increasingly to low priced subject imports

"Weak demand has resulted in price pressure for {OEM} vendors, who in turn are seeking lower cost imported steel towers from Asian tower manufacturers to aid profitability." MAKE Consulting, "U.S. Tower Manufacturers Face Dubious Future," at 2 (November 2010)

Shepard's Flat signaled a shift in the market, affecting both the domestic industry's volume and prices

- GE was awarded the project in October of 2009. Candace Lombardi, "GE wins $1.4 billion wind farm contract," (Dec. 10, 2009) http://news.cnet.com/8301-11128_3-10413047-54.html#
- With construction and tower delivery slated to begin in May 2011 and continue into 2012. GE Preliminary Submission, at 2-4 (Jan. 24, 2012) (Public).
- Numerous domestic and foreign producers bid on this project. *Id.*
- Ultimately, the project was awarded to two Chinese tower suppliers. *Id.*
- The loss of this project signaled a significant shift in the market.
  - Subject import volumes began to increase significant at substantially reduced prices.
  - Domestic producers were required to continually reduced their prices to remain competitive.

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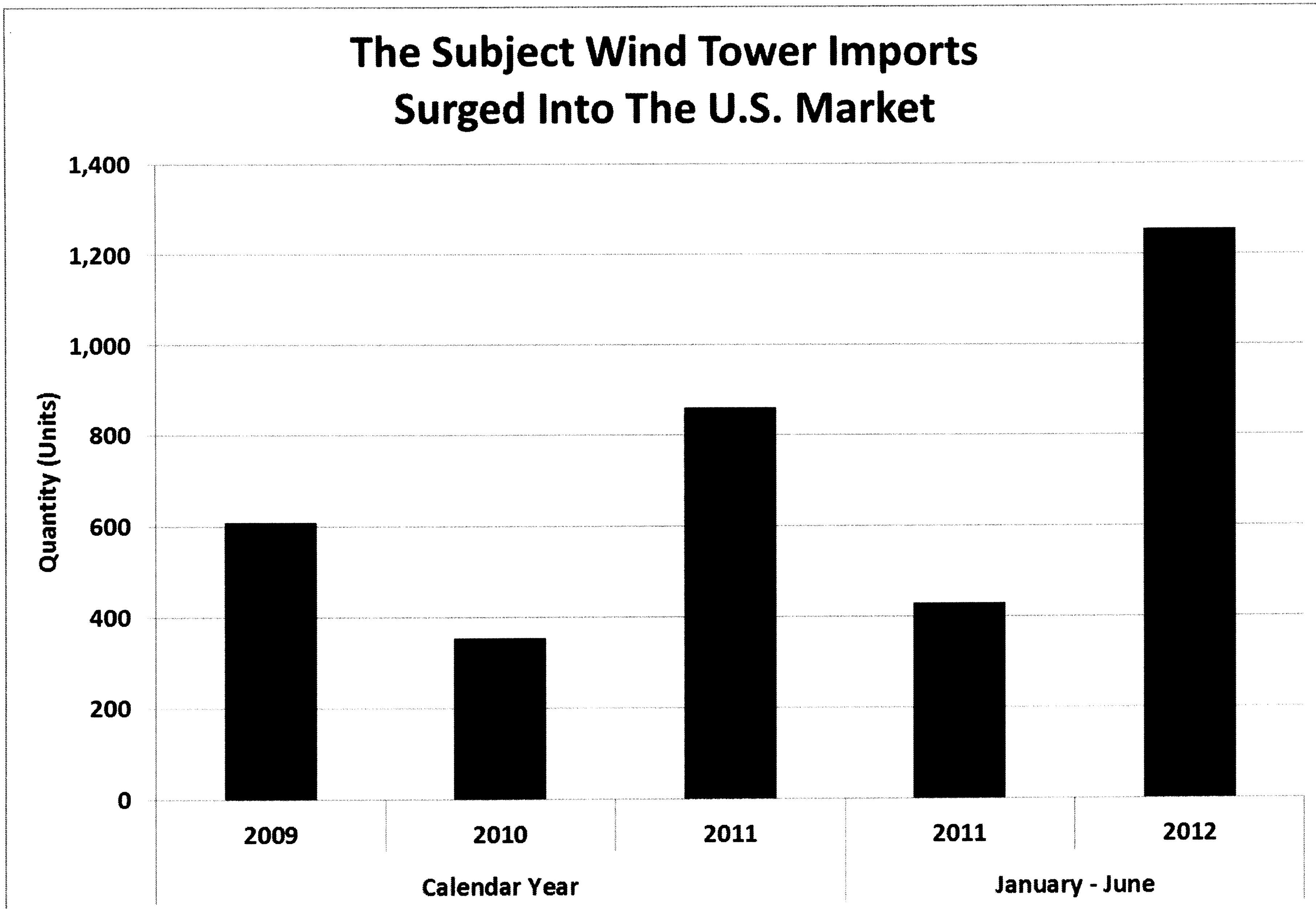
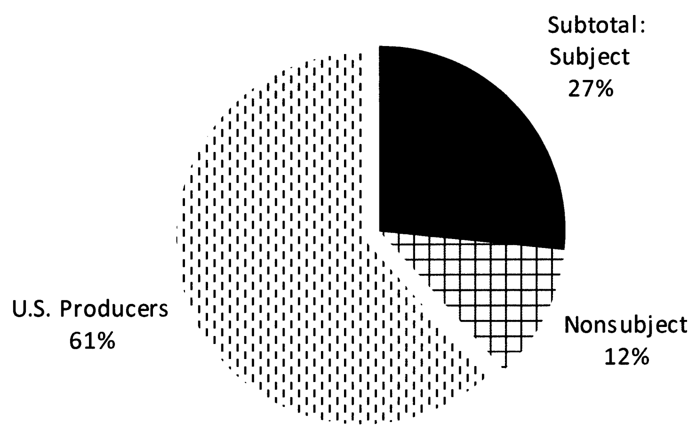


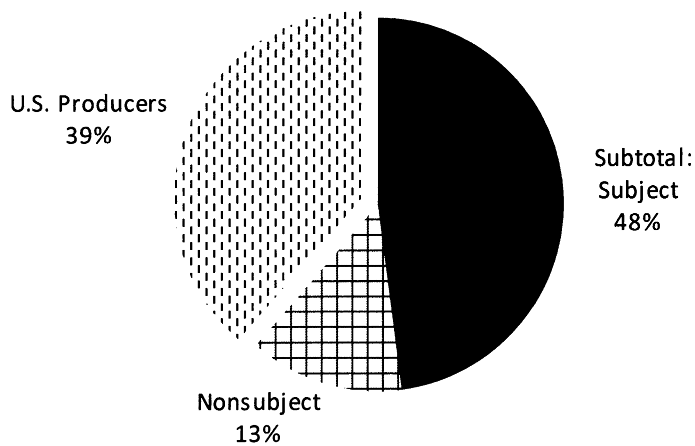
Source: Public Prehearing Staff Report at IV-13.

U.S. Producers Lost Market Share To Undersold Subject Imports

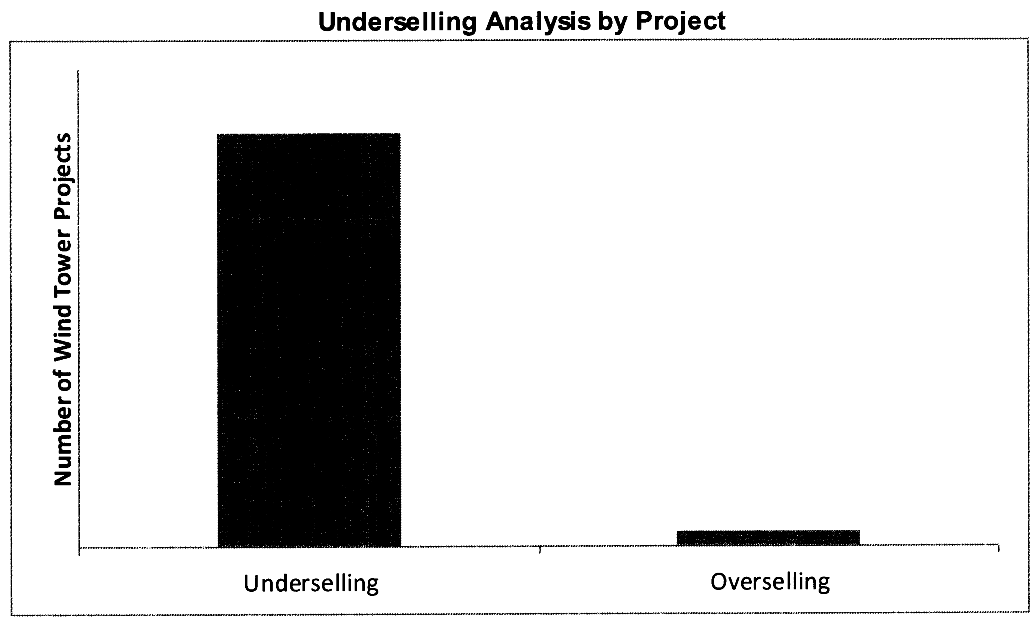
Calendar Year 2011



January - June 2012



Subject Wind Tower Imports Undersold U.S. Producers
In Nearly Every Comparison When Examined On A Project Basis



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The Domestic Industry's Performance

As a result of the continued loss of market share and the price suppressing and depressing effects of subject imports, despite increasing demand, the financial performance of those domestic producers that compete in the merchant market declined steadily over the period.

The Domestic Industry Is Also Threatened With Further Material Injury

"Goldwind is expanding in Australia and the U.S. as demand slows at home. China, whose wind-turbine manufacturers are responsible for 40 percent of the world's output, will see a 20 percent decline in annual installations to 16.4 gigawatts this year, according to researcher Bloomberg New Energy Finance." Goldwind Starts Work on Biggest Overseas Wind Farm in Australia, by Bloomberg News - Nov 28, 2012

"Indian Wind-Power Growth to Wane on Policy Shortfall, GWEC Says Investors are building fewer wind farms in the world's third-largest wind market after two government incentives expired in March. Turbine makers are unlikely to offset the drop in demand by boosting exports as China, the U.S. and Europe have also slowed, according to Bloomberg New Energy Finance." http://www.bloomberg.com/news/2012-11-28/indian-wind-power-growth-to-wane-on-policy-shortfall-gwec-says.html

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