

WHY IS THE EUROPEAN WIND INDUSTRY STRUGGLING?

Europe's 5 wind turbine manufacturers are all operating at a loss - despite today's high electricity prices. This infographic explains why.

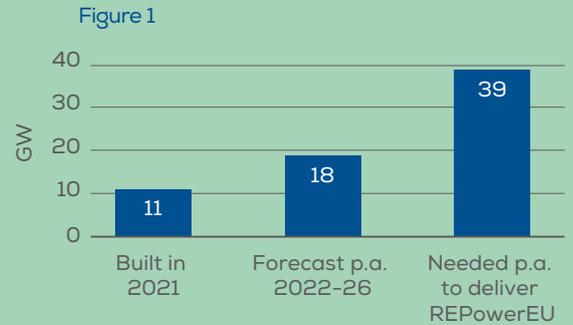
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Permitting: Slow permitting processes mean the market for new wind turbines is less than half of what it should be to deliver REPowerEU. (Figure 1)

Auctions: Government auctions for new wind farms are nearly all about price. This has driven a race to the bottom. Some countries even allow negative bidding, where developers have to pay for the right to build a wind farm = extra costs.

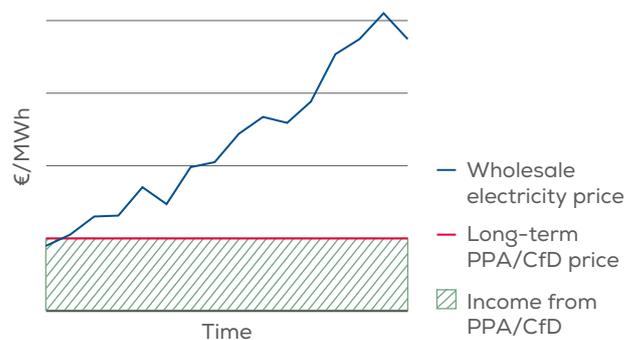
Commodity prices: Higher steel prices and shipping costs and supply chain bottlenecks make turbines more expensive. Manufacturers have to absorb these additional costs, especially when their contracts with developers aren't indexed, because of the time-lag between a wind turbine order and its actual delivery. (Figure 2)

International competition: Today nearly all of Europe's wind turbines are made in Europe. But Chinese manufacturers beat the European industry on price and are starting to win orders in Europe.



WHY ISN'T THE WIND INDUSTRY BENEFITTING FROM TODAY'S HIGH ELECTRICITY PRICES?

Most wind farms have fixed income, either from a Government auction contract or a Power Purchase Agreement (PPA) with an energy consumer. Or they have hedged against wholesale market price fluctuation. Wind farm operators therefore don't earn the upside when electricity prices rise.



HOW CAN GOVERNMENTS FIX THIS?

1. Simplify and accelerate permitting: renewables being in the 'overriding public interest', clarification of processes covered in the binding 2-year permitting deadline.
2. Design auctions the right way:
 - Index auction tariffs to reflect possible increases in commodity prices.
 - Avoid negative bidding where the industry pays for the 'privilege' of building a wind farm.
 - Use non-price criteria in auctions to reward the added value that European manufacturers bring in terms of energy system integration, sustainability, European jobs and community engagement.
3. Channel EU Recovery and Resilience and REPowerEU funds to the European wind supply chain.