

- Home
- Wind Jobs
- Forums
- Buyer's Guide
  - Browse/Search
- News Departments
  - New & Noteworthy
  - Projects & Contracts
  - Policy Watch
  - Products & Tech.
  - FYI
  - People
  - RFP
  - Search
- Editorial Calendar
- Events

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## Iberdrola Pulls Back Guidance; Cuts U.S. Development

in News Departments > New & Noteworthy  
by Mark Del Franco on Thursday 03 March 2011  
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Iberdrola Renewables, one of the world's largest wind developers, says new wind capacity additions will slow this year and next, including wind farms planned for the U.S. The developer plans to install 1.5 GW this year, down from 1.78 GW in 2010.

Iberdrola now plans to install 750 MW - 400 MW planned for Europe and 350 MW planned for the U.S. - in 2012. This is a major cut for Iberdrola, which announced last year that it would build 1 GW in the U.S. in both 2011 and 2012.

Iberdrola Renewables did not return calls requesting comment.

With 62 GW under development worldwide, Iberdrola boasts one of the world's largest project pipelines. Because most of its development pipeline is located in the U.S. and Spain, its future growth rates are tied to policy measures in these two markets.

According to a global securities and investment banking group Jeffries, Iberdrola's tepid development plans underscore the need for clear policy in the U.S. and Spain, Iberdrola's two principle markets.

"Both countries do not have long-term policies in place and will need to enact legislation for projects post-2012," wrote Jeffries' equity analysts Gerard Reid and Scott McCollister, who also explain that the investment tax credit (ITC) in the U.S. expires at the end of this year, but that it will include projects in 2012 if construction begins by the end of the year.

"The wind industry will surely use the announcement as a wake-up call for politicians in Spain and the U.S, highlighting Iberdrola's plans for reduced investment without clear policy in place," the analysts wrote.

In May 2010, Iberdrola announced that it would install 1 GW in the U.S. in 2011 and 2012. At the time, the company said its U.S. efforts were significantly bolstered by \$976 million in so-called stimulus funds, including a \$109 million grant for the start-up of its 202 MW Penascal II wind farm in southeastern Texas.

Iberdrola is the second-largest renewables operator in the U.S. and has a presence in 23 states. It has an installed capacity of 3.8 GW spread over 41 wind farms, with 850 MW currently under construction.

The company has a workforce of 800 employees in the U.S. and has created over 14,200 indirect jobs there since 2006. It has also made some \$5.5 billion of purchases from U.S. companies over the last three years.

Iberdrola's announcement, which also affects turbine supplier Gamesa, commanded the attention of some wind industry watchers.

"The magnitude of Iberdrola's investment reduction comes as a surprise, especially given the looming 2012 expiration of key tax incentives and uncertainty regarding ITC or production tax credit extension," says Dan Shreve, a principal at MAKE consulting, adding that Iberdrola's apparent pullback greatly affects Gamesa, a major turbine supplier to Iberdrola. According to Bloomberg, Iberdrola is Gamesa's largest shareholder, with a stake of about 15%.

"Order consolidation amongst GE, Siemens and Vestas is pressuring smaller players in the U.S. market," Shreve says. "Without the strategic support of Iberdrola, Gamesa's performance in the U.S. market is certain to suffer, and [Iberdrola's decision] increases the criticality of [Gamesa's] activities in Brazil and Mexico."

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