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BC TOO LATE TO USE LOCAL CONTENT RULES FOR DEVELOPING WIND POWER

New research from the Pacific Institute for Climate Solutions (PICS) claims that recent developments in international trade policy have practically eliminated British Columbia's ability to use local content policies to develop its wind energy sector. To do so now would expose the province to the risk of a legal backlash and trade sanctions, the report says.

The *Local Content Requirements in British Columbia's Wind Power Industry* report is the latest in a series of PICS independent research white papers to government. PICS is a collaboration of BC's four research-intensive universities hosted and led by the University of Victoria. The report can be found at www.pics.uvic.ca

Local content requirements (LCRs) are regulations that specify a proportion of a product must be produced within a certain jurisdiction, usually with the aim of boosting local jobs and industry. LCRs have been instrumental in helping establish wind industries within Québec and Ontario as well as in China, Spain, India, Australia and Portugal.

The report notes that despite having ample wind resources, BC currently has only one operational wind farm with six more in the pipeline, and little to no wind turbine manufacturing. It identifies the province's potential wind capacity is nearly 16 gigawatts, and harvesting that amount of power would require the installation of more than $30 billion worth of turbines. Given that manufactured turbine components make up 70 percent of the total capital investment of wind farms, BC is not reaping the economic benefits it could, the report says.

Report co-author Matt Mackenzie says if BC were to implement LCRs it would be best to follow Quebec's successful model by setting clear and consistent wind energy policies that attract industry's confidence and investment. However he says this era of wind sector LCRs may be coming to an end, with Japan's September launch of a World Trade Organization (WTO) legal challenge against Ontario's wind local content policies that has now been seconded by the US and the EU.

"Governments have so far got away with imposing LCRs to kick-start their wind industries despite such protectionist policies being against the international trade rules set by the WTO," says Mackenzie. "However the recent and forecast growth of the wind energy and cleantech sector means such policies are likely to face increased legal challenges, and BC is now too far behind other markets to take that risk."

Another identified problem is that local content policies reduce efficiency and economies of scale in manufacturing wind turbines by hindering foreign investment. The report shows that packaging LCR with investment incentives only raises overall energy costs for consumers, which is counter to BC Hydro's mandate to provide reliable low, cost power.

The report instead recommends that BC develop its wind industry through other means such as financial and tax incentives, research and development funding, mandatory renewable targets and guaranteed energy purchases. Mackenzie says if BC is serious about stimulating green energy, the province would do best to entrench stable policies and specific clean technology targets to give investors long-term certainty.

Media contact: Robyn Meyer, PICS Senior Communications Officer: Tel: 250-588-4053 or rmeyer@uvic.ca