

From a Garenin 'black house' to . . .

The Arnish black hole

- The Western Isles 'Energy Innovation Zone'
- 234 turbines (700MW) on the Lewis Peatlands
- 125 turbines (375MW) on the Pairc Estate
- 133 turbines (375MW) on the Eisgen Estate
- The Lewis Interconnector
- A Turbine-tower Factory at the Arnish yard

VoS News examines the political and economic background to the controversial Lewis Project

Bring this lot together and it's All Systems Go for Europe's biggest wind project on the Isle of Lewis.

The project was launched the moment Brian Wilson became the fourth of New Labour's six energy ministers so far.¹ It was during his term that we got the Energy White Paper and the Renewables Obligation scheme.

As editor of the *West Highland Free Press*, Wilson campaigned during the 1980s for the Western Isles to be made into a renewable energy centre with small-scale investment in renewables for the islands' own needs.

Once he had the energy portfolio, he needed a policy for UK electricity supplies. It was an opportunity to put his ideas into action.

The Lewis project was born. But its scale had grown out of all proportion to the island's needs. Wilson wrote: 'We are looking at something much more ambitious than what was regarded as ... slightly eccentric ... these 30 years ago'.

Only weeks after he took office, a 'high-powered group' met at the Garenin black house on Lewis – the ball was rolling.²

AMEC and British Energy came in for a major wind project at first only on Stornoway Trust land but later expanding onto the Barvas and Galson Estates.

Scottish and Southern came in to take care of grid issues and got a major site on Barry Lomas' Pairc Estate. Later on, Nick Oppenheim and Cathy Cripps came in with the Eisgen scheme.

Getting power out was always going to be a problem. Wilson's first proposal was an interconnector down the west coast, coming ashore either by British Energy's site at Hunterston (co-incidentally in his constituency) or by the BNFL Magnox plant in Wales. He dubbed it the 'Celtic Ring'. A feasibility study suggested a £2 billion price tag.

The chairman of Westminster's Trade and Industry Select Committee complained that the history of Britain's energy was 'littered with ideas from the bright ideas box

that come out prematurely ... and very often never actually produce the goods.' The scheme was shelved.

Fallback plans called for a new interconnector and reinforcement of existing links: the controversial Ullapool-Beaully and Beaully-Denny proposals. Wilson underlined that it was 'a clear expectation of government that the final proposals will extend to the north and west of Scotland, including the islands'.

Despite this small setback, AMEC had managed to get its Lewis project manager, David Still, seconded to the DTI as a 'renewables advisor' in December 2002 and a Welsh company, Cambrian Engineering, had moved into the Arnish Yard by Stornoway early in 2003. Jim Wallace opened the plant in August amidst a fanfare of publicity. Brian Wilson was at the height of his powers at the DTI and things were looking good.

The Arnish fiasco

Plans to manufacture turbine towers at Arnish promised hundreds of jobs and Jim Hunter's Highlands and Islands Enterprise (HIE) had pledged £14 million of public money.

However, just as the yard opened, Denmark changed first its government and then its wind-energy policy. Investors, sensitive to regulatory risk in a subsidy-driven market, got cold feet, over-capacity in European turbine manufacture was exposed, the market slumped and manufacturers retrenched.

HIE had exacerbated the problem by pumping £9.4 million into Cambrian's main UK competitor, the Vestas Celtic plant in Campbeltown.

As the slump deepened and despite £1.2 million in grants, Cambrian started laying off its workforce. It went out of business in February 2004, leaving £2 million in unpaid bills. (It later emerged that it had financial troubles prior to the Arnish venture.) The collapse represented a serious setback for the wind lobby, not least because it was the only UK-owned tower manufacturer.

Eyebrows were raised when Cambrian Caledonian emerged as HIE's preferred choice as successor. One councillor pointedly asked, 'Why are the same directors coming to the same enterprise company to get the same

grants to buy the same equipment from the same suppliers a second time?’³

In another fanfare of publicity, HIE handed Cambrian Caledonian the keys to the yard together with a £3.4 million cash injection in November 2004 – just as AMEC/British Energy formally lodged its application for the Lewis Peatlands project. The revived venture reported orders worth £8 million and confidently predicted 80 jobs at the yard by February 2005. But in April the yard is still mothballed with only a skeleton staff.

As steel prices rise, observers warn that Arnish’s high costs make for an uncertain future in a crowded market, point to layoffs at Vestas’ Campbelown yard and the collapse of NOI Scotland’s Kircaldy operation. Vestas recently shook investor confidence when it posted a 39 million Euro loss for 2004. When rival DS SM cancelled plans to open a Scottish yard, MD Claus Bo Jorgensen explained that, ‘It is cheaper for us to manufacture [in Denmark] and ship to Scotland than to open a factory’.⁴

SNH under fire

From the beginning, it was clear that the island’s nature designations would be a problem. Lewis has a big slice under European Commission protection which it is SNH’s job to protect. Developments that could harm the nature reserves can only be approved under exceptional circumstances and if there is no alternative available.

Proponents of the project argue that the designations hamper their plans and there have been approaches to the Prime Minister to have them removed.

Because designation removal is unlikely on past European form, SNH’s endorsement is seen as crucial to the Lewis project. Both its support for wind power and its joining the Western Isles Renewable Energy Partnership were warmly welcomed by Wilson’s supporters but the body came under heavy fire when it emerged that it had controversially endorsed the Pentland Road scheme.

This could land it in European hot water. As AMEC/British Energy prepared to lodge their application for 234 turbines on the same nature reserve — outgoing HIE chief Jim Hunter had joined the SNH board at a difficult time. With the European Commission looking over the quango’s shoulder little could be done and SNH red-carded the project in March.

Despite this severe setback, AMEC/British Energy remain upbeat and hopes are now pinned on winning over the Scottish Executive with the promise of economic benefits to override environmental concerns. The recent appointment of Alan Wilson, Brian Wilson’s election agent, as the Deputy Minister responsible for deciding the project is seen as a boost but the project is not out of the woods yet. A plethora of sites under consideration could well prove a stumbling block.

Industrial and legal muscle

One compromise suggested locally is to upgrade the Skye-to-Harris 33kV link so that community projects can export electricity using the 132kV line through Skye. However,

AMEC has already cornered the spare capacity for its Edinbane site. It told crofters in Skye that ‘AMEC holds the only non-assignable grid transmission agreement for this site. The site only has value to AMEC’.

There are also reports that the Barvas, Galson and Pairc Estates intend to forestall crofter and community right-to-buy provisions available under the land reform legislation. Contracts are said to have hived-off wind-power rights to companies under the landlord’s control which are then released to developers.⁵ This news comes as residents in Barvas, Pairc and Galson pursue community buy-outs.

One unexpected difficulty for the Lewis project has been the high level of local opposition. A recent poll in the north Lewis communities closest to the site showed an 88 per cent rejection of the AMEC/ British Energy plan and an island-wide BBC poll found 55 per cent against.

More than 3,500 objections have been lodged, most from the island, and the council is becoming nervous. There’s an old saying that if you burn your backside, you’re going to have to sit on it later.

Councillors went on the offensive after a well-attended *Moorlands Without Turbines* meeting in Stornoway but it was counter-productive. As one resident put it: ‘We ask for meaningful and open dialogue with our local authority instead of ... confrontational press statements’.⁶

Among the most commonly heard complaints are:

- the Lewis project is neo-colonial in its ambition, scope and disregard for the island’s people and culture;
- the council has thrown its lot in with the developers when it ought to be considering the full spectrum of views.

If the council cannot conduct a meaningful dialogue with residents, it is difficult to foresee any consensus between islanders and the incoming developers. An all-or-nothing situation looms.

Question marks remain over the Lewis project. Obtaining the consents and upgrading the grid was always going to be difficult – but the political pressure is intense. We came in with Brian Wilson’s ‘gentleman’s adventure’ at Westminster, so we’ll go out with him:

Of course, the issues became more complex as it was not just a quarry which was eventually proposed but the biggest hole on earth. Nobody on Harris ever asked for that and I have always felt that the developers who chose to pursue that jackpot, rather than something more in keeping with local needs and expectations, had a lot to answer for.⁷

Notes

- 1 Brian Wilson was energy minister from June 2001 to June 2003.
- 2 Wilson wrote (*West Highland Free Press*, 25 July 2003): ‘Two years ago, a high-powered group of people assembled in Lewis to focus on how renewable energy could be taken forward in the Western Isles and adjacent areas. My own recently-acquired position as energy minister had helped to get some of these people to Lewis ... (The Garenin ‘black house’ is a restored crofters’ cottage.)
- 3 Councillor Angus Nicholson, *Stornoway Gazette*, 6 May 2004.
- 4 *Press and Journal*, Vestas Loss, 21 Aug 04; *Scotland on Sunday*, Wind turbine factory plans blown away, 12 Sep 04. See also *Scotland on Sunday*, Green energy blows in jobs for Scotland, 14 Dec 03. Recently, Fife blade manufacturer NOI has encountered serious difficulties and the flagship Vestas Celtic is reported as threatening layoffs.
- 5 Scottish Land Court SLC/126/03.
- 6 Marion MacLeod, *Stornoway Gazette*, 23 Sep 04.
- 7 *West Highland Free Press*, *Momentum must be maintained on renewable energy developments*, 31 May 02.

A cruel and costly fantasy?

DEPUTY FIRST MINISTER JIM WALLACE certainly responded robustly when VIEWS OF SCOTLAND questioned the prospects for a substantial wind-technology manufacturing base in Scotland.

Although the wind sector is undeniably dominated by established Danish and German concerns, he called our views ‘an insult’ to the ‘several hundred’ people currently employed in the sector in Scotland.

VIEWS OF SCOTLAND respectfully suggests that employees and the community at large are entitled to accurate assessments of long-term job security and we make no apology for scrutinising Executive policy in this sphere. The record suggests that it is failing.

Claims about the ability of the renewables sector, particularly wind, to defy long-term historical trends and underpin a revival of Scottish engineering and manufacturing without an energetic and bold programme of research and development can reach outlandish proportions.

Recently, Fife Council heard industry-insider claims that up to 76,000 jobs could be created by the off-shore wind sector alone while WWF and others suggest up to 40,000 jobs in renewables as a whole.

Much of this, we submit, is fantasy. Examined in the cold light of reality, just how healthy is industrial-scale wind-power manufacture in Scotland?

Arnish, Western Isles

OPENED IN A BLAZE of publicity by Jim Wallace in August 2003, *Cambrian Engineering Ltd's* 85 staff lost their jobs only seven months later as the turbine-tower manufacturer went into administration in February 2004. It owed hundreds of thousands of pounds, much of it to local business.

About £7 million had been spent on yard refurbishment with a further £1.2 million handed to a business which, it turned out, was already in trouble. Its last order (towers for National Wind Power's Causeymire site) was transferred to *Bonus AV* in Denmark which went on to make every last nut and bolt for the project, shipping the lot via Wick.

There is still no buyer though *Cambrian Caledonian Ltd* is reported as preferred bidder. HIE officials and local politicians insist that there is no connection between the

Scotland might be able to emulate the policies which have caused many in Denmark to regret its reliance on wind but it would be unable to emulate its export market since Denmark already has that sewn up. Directly or indirectly, Scotland will buy all its turbines from Denmark.

VIEWS OF SCOTLAND, *Scotland's Landscape - England's Windfarm*, submitted to the Scottish Executive, November 2002.

Jim Wallace was dismissive when we questioned the viability of reviving heavy manufacture through inward investment in the manufacture of wind-power generators.

Here, VoS News examines the Executive's record as it tries to rival European leaders with their own technology, a project which is failing.

former management of Cambrian Engineering and Cambrian Caledonian.

Machrahanish, Argyll and Bute

ARGYLL AND THE ISLANDS Enterprise (AIE) and Highlands and Islands Enterprise (HIE) together spent £9.4 million (including £3.5 million from the EU) refurbishing 100,000 sq ft of the former RAF base in Campbeltown, Kintyre for Danish turbine giant *Vestas* – just as its profits fell through the floor.

Vestas also invested £3 million in the plant which was opened in May 2002 by Jack McConnell. It employs nearly 200 people manufacturing towers and assembling turbines from imported components.

A further £400,000 was promised by AIE in August 2003 to fund upgrades to cope with the then range-topping V80 2MW turbine.

Despite persistent rumours of impending layoffs, *Vestas-Celtic* management has assured community leaders that redundancies following *Vestas'* recent merger with *NEG-Micon* would not affect Machrahanish.

In the event, 325 white-collar and 150 production staff did lose their jobs, albeit in Denmark and Germany.

The company's interim results for 2004 claim an increased group payroll since the merger but it does not say where any new jobs are based.

In Scotland, the company has assembled 15 V52s for SSE's Tangy site and 12 for Airtricity's Ardrossan station, 30 V80s for RWE's North Hoyle (off N Wales coast) and 30 for Scroby Sands near Yarmouth.

Ayrshire

FOLLOWING CLOSE on the heels of publicity for the Campbeltown launch, *Vestas* was widely reported as keen to develop a £50-million, 450-staff site in Ayrshire to make turbine blades.

The project has since been quietly shelved and is unlikely to be revived.

The company has just upgraded its blade-manufacturing facility in Lauchhammer (near Leipzig in the former east Germany).

It reports limited funds following its acquisition of *NEG-Micon* and predicts sub-forecast turnover for 2004.

Curiously, this is not the only time that the company has

found itself unable to meet promises made while government support for the industry is being discussed.

A recent project promising 1,200 jobs in Portland, Oregon is reported by newspapers in the state as abandoned although Vestas insists it is still ongoing.

Developing the sector is not just about throwing money at it

(ECC Renewables Report)

Meanwhile, another Portland, this time in Victoria, Australia, has been promised a blade-manufacturing facility following a large order from a hydro-power developer, despite Vestas concern at a lack of fiscal commitment. The company has also aired plans to open a plant in China.

Kirkcaldy, Fife

WHEN JIM WALLACE refers to 'wind-energy manufacturing' in Glenrothes, we assume he is referring to turbine blade manufacturer *NOI Scotland Ltd.*

Dutch blade manufacturer Aerpac did indeed start up in Glenrothes in 1999 with about 90 employees but it moved to new premises in Kirkcaldy back in 2000. When Aerpac collapsed in January 2001, the company, including Kirkcaldy, was taken over by the German firm *NOI Immobilien GmbH.*

Reports generally describe the plant's future as uncertain and, despite exporting to North America, Asia and Europe, it continues to struggle with staff now down to 30.

We understand that it is limited to sub-30 metre products whereas new designs use blades of 40 metres or more.

MD Billy Chrystal reported to the recent Public Inquiry on the Drummuir proposal that the company could build blades in Fife – but admitted that it would have re-tool to do so for Drummuir. [NOI Scotland never made a blade for use in Scotland and finally closed in late 2004.]

It would seem that, despite its obsession with wind-power, the Executive did little for this enterprise. Perhaps its people went to the wrong address.

Nigg, Highland Region

THE FABRICATION YARDS at Nigg and Ardersier used to employ 5,000 workers and supported hundreds of other jobs in the area.

HIE reported in November 2002 that, 'Nigg, which famously boasts Europe's largest dry dock, is currently kept on a care and maintenance basis. Ardersier's owners ... announced in August that work at the inner Moray Firth yard had ceased'.

When the Cromarty Firth Port Authority (CFPA) published its annual report in June this year, the position still seemed uncertain. CFPA called on owners Kellogg Brown and Root (KBR) to reveal plans for the 330-acre site.

Certainly it is not easy for lay researchers to determine what is happening there. Reports last year that MoD consultation on decommissioning 27 nuclear submarines

had raised the possibility of Nigg's securing contracts to break up the vessels and remove their reactors were (understandably) controversial.

Besides concerns that decommissioning operations might prejudice tourism, fears have been raised that the work might also deter inward investment or diversification into renewable generation technology.

Long-established off-shore provider Isleburn Mackay and Macleod has not escaped the effects of the decline in North Sea investment but a commendably cautious management has always looked to diversify. It won contracts to provide infrastructure for Scroby Sands, North Hoyle and other off-shore sites. But its commitment is to developing the business, not to wind-power as such. This surely is a business competent to benefit from genuine central support for viable renewable technologies.

Somewhere in Scotland

DANISH TOWER MANUFACTURER DS SM was reported in December 2003 as being on the verge of choosing a site for Scotland's third tower-manufacturing facility and jobs for 50 people.

The announcement was never made and, by September 2004, the project had been abandoned with managing director Claus Bo Jorgensen saying:

The prices for towers are very low in Europe at the moment and it is cheaper for us to manufacture them here [in Denmark] and ship them to Scotland than it is to open a factory. But we still hope to look at the plans again in 2005 and long-term believe there is space in the market for another tower manufacturer.

'Wind energy manufacturing has created jobs at Kintyre, at Nigg and at Glenrothes, and has the potential to continue to do so, both here and in other parts of Scotland...'

So says Jim Wallace. The reality is that trying to compete with the big players in a crowded market threatens bitter disappointment.

But this is nothing compared to the risk that the wind frenzy poses to rural tourism. It doesn't take a genius to work out that if you industrialise a landscape famous all over the world for wildness, unspoilt beauty and tranquillity there is just a chance that some people won't come any more.

We do not say that it will definitely happen. But only a fool would say that it will not happen. There are, it seems, such fools in the Executive.

Upwards of 30,000 people depend for their livelihood on rural tourism. Few parts of Scotland are without large areas under active consideration as wind-power sites. Over 6,000 jobs could be at risk.

The Executive appears indifferent. The Enterprise & Culture Committee 'saw no evidence' of a negative impact.

But visitors have already expressed horror at the number of proposed wind sites. If only a small percentage holiday elsewhere, many jobs will go.