

A favourable wind for clean energy; Hamilton has a chance for a new industry

STEVE ARNOLD, *The Hamilton Spectator*, June 26, 2010, sarnold@thespec.com, 905-526-3496

Hamilton is mounting a new drive to attract clean energy companies to the city just as one of the area's success stories in that field prepares to move to Toronto. That irony highlights one of the perpetual problems Hamilton faces in its struggle to build a new economy that isn't based on steel -- the clean energy business offers stunning growth potential and the possibility of thousands of good-paying jobs, if only the city can find a way to overcome its image as an industrial centre marked by grit and smog. "The growth of this industry has been tremendous over a long period of time, it can be a massive industry," said **Tony Verrelli, president of Ancaster-based Cleanfield Energy**. "At the same time, three manufacturers of this equipment have gone bankrupt recently and we're one of the few that's left still manufacturing." Despite those failures, there's wide agreement companies that manufacture equipment for wind and solar generation hold the promise of big returns in the future -- Verrelli's own company has notched growth of 300 per cent and has a substantial order backlog for its rooftop windmills, solar systems and inverters. To get his piece of that growth, however, Verrelli said he needs investment and that's proving difficult to attract for a company located in Hamilton. "From a business standpoint it's hard dealing with investors when you're located in Ancaster," he said. "Especially for the Americans, they only understand Toronto." Verrelli is moving to Toronto. He is drawn away from Hamilton by other forces as well, including the oft-heard complaints about tax rates, water services charges and what he calls a generally unsupportive attitude toward business at city hall. "Hamilton is just a difficult place to do business," he said. "You get much more support in other areas. The economic development people are working very hard, but not everyone in Hamilton is on the same page." Despite the irony of losing Cleanfield just as it mounts a major new campaign to attract similar companies, Hamilton's focus on clean energy firms as a core piece of its new economic development strategy could bring good returns to a city hungry for new jobs, especially those based on brain power rather than strong backs.

Neil Everson, director of economic development, said Hamilton has many of the attributes the makers of wind mill towers and solar panels could desire -- lots of large empty factories where 40-metre towers and 50-metre long turbine blades can be assembled, an excellent port through which they can be moved, McMaster University's rising reputation as a centre of research in the alternative energy field and Mohawk College's new programs to training people to run that equipment. The field has many features that are attractive to Hamilton, he said, noting, "These are living wage jobs and there's a lot of them available." The field also meshes well with the other parts of the economic development strategy, the parts that target growth of advanced manufacturing, good movement and research-based jobs. To grab a piece of that potential, the city's economic development department has a full-time staffer working on attracting clean energy companies, and the initiative is starting to show some results. "We've had 35 legitimate inquiries and we've short-listed 12 of them," Everson said. "These are serious, real inquiries from legitimate businesses."

Jennifer Patterson, of the economic development department, has been spearheading the clean energy drive for 18 months. She said many firms are considering how to get into the business of making equipment for new kinds of energy generation as the sector begins to blossom and demand a supply chain. "There are a lot of tire kickers out there, a lot of companies that haven't gone anywhere," she said. "Why shouldn't a few of them come to Hamilton?" A few statistics support that view. A report released earlier this year by the Ontario Centre for Environmental Technology Advancement and Sustainable Development Technology Canada found investment in the field has been growing rapidly in recent years. In 2008, global venture capital investments towards clean technologies were approximately \$8.4 billion US, up 38 per cent from \$6.1 billion in 2007. That's the seventh consecutive year investment in the field has grown. In Canada, investment totalled \$379 million in 2007, more than double the \$155 million invested in 2004. The study also found an estimated 530,414 employees working in the environmental industry across 13 industrial classes in 2007. In Ontario alone, there were more than 2,600 companies in the environmental industry, generating approximately \$7 billion in revenue and employing over 65,000 people in 2008.

Among the forces behind the growing demand for electricity generated by wind and sun power -- a provincial government promise to eliminate its coal-burning generating stations by 2014 coupled with the simple aging of current equipment, means that by 2025, Ontario will need to refurbish or replace more than 20,000 megawatts of generation capacity -- about 70 per cent of the total. The highest profile of those efforts has been a recent \$7-billion deal between Ontario and Samsung that will see the South Korean giant build wind and solar farms to generate 2,500 megawatts of renewable energy. The construction will occur in five phases, with the first being projects to generate 400 megawatts of wind power and 100 megawatts of solar power in Haldimand County and Chatham-Kent. The company is also to operate four manufacturing plants in Ontario, with the first three to build wind turbine towers, solar inverters and to assemble solar modules. They're expected to create up to 15,000 jobs -- a figure some dispute as far too rosy. Whether those predictions are rosy or not, Hamilton could still gain some benefit from the project. That potential is shown by small investments already announced -- in 2008, Siemens invested \$25 million and hired 50 engineers for its Hamilton plant to work on wind turbine projects. Earlier this year the company announced it has been contracted to supply 43 wind turbines for a clean energy project near Thunder Bay and said it would hire 50 people for its Burlington plant to work on solar energy projects.

Horizon Energy has also stepped into the solar energy business with a subsidiary company called Horizon Energy Solutions Inc. It wants to rent rooftops across the region to install solar energy panels, paying rent to the building owner and then selling the electricity to the Ontario Power Authority. "We are in very advanced discussions with a number of customers about this," said Scott Knapman, vice-president of Horizon Energy Solutions. "We need more electricity because there's a growing demand for power. This could be a great opportunity for some of our customers." The potential payoff of a focus on wind and solar energy manufacturing seems clear. The only thing standing in the way, according to the city's economic development strategy, is Hamilton itself: "Hamilton has had a lack in vision for the future within the global context and the sector. The city must determine our competitive edge within the province in order to take a leadership role and be prepared to handle it."