



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

CONTINUATION INQUIRY NO. 487

**INQUIRY INTO THE CONTINUATION OF
ANTI-DUMPING MEASURES APPLYING TO**

WIND TOWERS

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA AND THE REPUBLIC OF KOREA**

VERIFICATION VISIT REPORT - IMPORTER

Vestas Asia Pacific

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED HEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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1 BACKGROUND

On 16 July 2018, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate a continuation inquiry in respect of certain wind towers (the goods) exported from the People's Republic of China (China) and the Republic of Korea (Korea). Anti-Dumping Notice (ADN) No. 2018/115 provides further information on the continuation inquiry and is available on the Anti-Dumping Commission (Commission) electronic public record (EPR) at www.adcommission.gov.au.

Following the initiation of the inquiry, the Commission published the importer and exporter questionnaire, inviting importers and exporters to cooperate with the inquiry. Vestas Asia Pacific (Vestas) responded to the Commission's invitation and completed the importer questionnaire and relevant attachments.

Commission staff conducted a verification of the information provided by Vestas at its offices at St Kilda, Melbourne, Victoria on 7 September 2018.

1.1 Context

Vestas purchases wind towers for use in constructing wind farms. Vestas imports its wind towers from China and Vietnam, as well as from the Australian industry. The wind farms are constructed by Vestas as turnkey power generation projects.

Vestas does not sell wind towers (except as part of a wind farm) and so the verification task did not include verifying downstream sales or assessing the profitability of downstream sales.

The Australian industry has previously tendered to supply wind towers to Vestas and so the verification team sought information from Vestas concerning its tender processes.

2 IMPORTS

2.1 The goods

The verification team confirmed that Vestas imported goods during the inquiry period matching the description of the goods that are the subject of the application.

2.2 Verification of importation costs

The verification team verified the accuracy of importation costs listed by Vestas in its response to Part B of the questionnaire to the source documents in accordance with ADN No. 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

The verification team did not find any issues.

2.3 Import listing

Vestas confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods from 1 January 2017 to 30 June 2018 (the inquiry period).

There were 10 shipments during the inquiry period to supply three wind farm projects, including Sapphire, Mt Emerald and Kennedy.

2.4 Forward orders

Vestas explained that it has some forward orders to supply in respect of the Timboon and Yawong wind farm projects. These forward orders were due in July 2018.

2.5 The importer

The verification team found that Vestas is:

- named on the commercial invoice issued by its supplier;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

The verification team considers that Vestas is the beneficial owner of the goods at the time of importation and is therefore the importer.

2.6 The exporter

Subject to further inquiries, the verification team considers that Suzhou Titan New Energy Technology Co. Ltd (Titan) and Shanghai Taisheng Wind Power Equipment Co., Ltd (TSP China) are the exporter of the goods¹ during the inquiry period.

2.7 Related party suppliers

The verification team found no evidence to suggest that Titan and TSP China are related to Vestas; accordingly the verification team considers that the exporter is not a related party to the importer.

2.8 Arms length

In respect of the transactions between Vestas and Titan and TSP China respectively, concerning imports of the goods to Australia by Vestas during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

3 GENERAL COMMENTS

3.1 Changes in the wind tower market

Vestas informed the verification team that renewables projects are more often being developed on a “merchant” basis which means that it is not backed by a Power Purchase Agreement (PPA). A PPA is a long term contract for the purchase of electricity generated by a wind farm. Projects that are not backed by a PPA must rely on the market price for energy.

Vestas advised that a trend in the wind towers market is to build high towers which then require a wider base or thicker steel sections. ‘Hub heights’ globally have extended to 157 metres(m) with a bottom section of 6.5 m diameter (Vestas project in Thailand). The highest tower among the Vestas projects in Australia is the Mt Sapphire project, with wind towers of 137 m hub height.

3.2 Vestas tender process

Vestas informed the verification team that the original equipment manufacturers (OEMs) must initially bid in a tender process in order to be awarded the contract. Vestas consolidates and pre-plans its global projects and ensures it has sufficient supply capacity for upcoming potential projects. Before Vestas has bid for the contract for a wind farm, it will approach its potential suppliers for an indication of price. Vestas advised that it has been able to leverage its volumes globally in order to negotiate a competitive price from suppliers overseas. Its supply contract with its Chinese supplier offers a tower price, valid for a fixed period. This means that it then only negotiates with its Australian industry supplier to ascertain its price.

Vestas advised that tender decisions are based on the price of the towers. Once Vestas has won the contract, it will approach the suppliers to close the final price and purchase order.

On two occasions, however, Vestas claimed it awarded the contract to Australian industry despite a price above exporters in order to support local manufacturing. The verification team was provided with supporting documents for one of these tender evaluations.

The verification team requested tender evaluation and contract documents for the Salt Creek and Lal Lal wind farms.

Salt Creek

Keppel Prince Engineering Pty Ltd (KPE) was successful in its bid to supply 15 towers for the Salt Creek wind farm during the inquiry period. Vestas provided the verification team with tender evaluation correspondence where the price of KPE towers was compared with overseas supplier prices, and KPE was awarded the contract as it offered a competitive price for the towers.

Lal Lal

The wind towers were sourced from two suppliers for the Lal Lal wind farm; from KPE and the remaining from Vietnam. The correspondence provided to the verification team concerning the Lal Lal wind farm demonstrates that despite the higher cost to Vestas, a

decision was made to offer a split contract for towers to the two suppliers due to strategic reasons.

3.3 Qualification process

Following the meeting the verification team requested information concerning the qualification process for suppliers of wind towers to Vestas. Vestas advised that all suppliers to Vestas globally are qualified using the Vestas Suppliers Qualification process. This process takes between 6 to 12 months and suppliers are approved for providing ongoing production to OEMs. Provided there is supply, each year the qualification continues. Approval is re-evaluated if the supplier has not supplied to Vestas for a period longer than 18 months. In this case, a re-assessment of the qualification may be required in order to recommence supply. KPE and overseas wind tower suppliers to Vestas are qualified suppliers.

3.4 Claims regarding limitations of Australian industry

Vestas made several claims concerning the limitations that Australian industry may face.

3.4.1 Capacity limitation

Vestas advised that the number of wind towers that KPE are able to produce is insufficient to meet the demand of the Australian market. The verification team inquired if the capacity limitation resulted in KPE not being awarded any of the tenders. Vestas advised that while KPE did not lose a contract based on its capacity limitation, it is possible that in the future KPE may not be able to supply as it is at its maximum capacity.

3.4.2 Manufacturing limitation

Vestas advised that as hub heights increase, the bottom sections of towers will need to be of a wider diameter, or the steel thickness will need to be increased. Vestas claims that KPE is not currently able to manufacture base tower sections of large enough diameter and also not able to manufacture sections with sufficient steel thickness to meet the requirements of higher towers.

3.4.3 Geographical limitation

Vestas claimed that while KPE is able to supply towers to projects in Victoria and some parts of NSW, excessive transport costs make KPE's supply to more distant locations less feasible.

3.4.4 Further claims

Vestas also claimed that its overseas supplier could manufacture more than 50 complete wind tower sections per week. This significant capability, together with more attractive payment terms, compares favourably to the supply and terms offered by KPE.

3.5 VRET and VREAS

Vestas claimed the Victorian Renewable Energy Target (VRET)² will mean that the Australian industry (specifically KPE) will have sufficient volumes going forward.

VRET is the Victorian state government's legislated target for renewable energy, which has been set to be 25 per cent of electricity generation by 2020 and 40 per cent by 2025. The relevant legislation is *The Renewable Energy (Jobs and Investment) Act 2017* (Vic).³

In order to execute the VRET the Victorian state government established the Victorian Renewable Energy Auction Scheme (VREAS). VREAS awards a 'support agreement' to successful bidders for Victorian projects.

The first energy auction was finalised in September 2018. From this auction, a local content target of 64 per cent was set for all projects, as well as a target of 90 per cent for local operations and 90 per cent for local steel.⁴ Subsequently, six wind farm projects were awarded. The verification team understands that VREAS is aiming to achieve a higher proportion of local content and contribute to the development of skills and employment in Victoria.

Due to the requirement for a large percentage of locally sourced supply in order to be successful in the VREAS, Vestas claims that there will be sufficient wind tower projects to ensure KPE can utilise its full capacity.

² [Victoria's renewable energy targets \(VRET\)](#)

³ [Renewable Energy \(Jobs and Investment\) Act 2017](#)

⁴ [VRET September 2018 Auction Result](#)

4 RECOMMENDATIONS

The verification team is of the opinion that, for the goods imported by Vestas from its suppliers:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by Vestas from the relevant supplier; and
- purchases of the goods Vestas from the relevant supplier were arms length transactions.

Subject to further inquiries with the exporters, the verification team recommends that the export price for the goods imported by Vestas from the exporters can be established under subsection 269TAB(1)(a) of the *Customs Act 1901*, having regard to all circumstances of the exportation. In particular, the verification team considers that the export price should be determined as the FAS price paid by Vestas to the exporter, plus the cost of loading the goods.

PUBLIC RECORD

5 ATTACHMENTS

Confidential Attachment 1

Verification Work Program