Mobilisation of the European Globalisation Adjustment Fund: redundancies in wind turbine manufacturing in Denmark

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the wind turbine manufacturing industry in Denmark.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The Commission services have carried out a thorough examination of the application submitted by Denmark to mobilise the EGF. The main elements of the assessment are as follows:

Denmark: **EGF/2012/011 DK/Vestas**: on 21 December 2012, Denmark submitted application EGF/2012/011 DK/Vestas for a financial contribution from the EGF, following redundancies in Vestas Group in Denmark. The application was supplemented by additional information up to 16 July 2013.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Denmark argues that the wind turbine manufacturing industry in the EU has been seriously affected by changes in world trade patterns, leading to a significant reduction of the EU market share. Denmark explains that while the demand for wind turbine installations is stagnating in Europe, the global market, especially in Asia, has been rapidly developing. For the first time in 2010, more than half of all new wind power capacities were added outside the traditional markets of Europe and North America. This development was mainly driven by the continuing economic boom in China, which accounted for half of the new global wind installations. Resulting from the dynamic global growth of the sector, Europe's share in total capacity was reduced from 66% in 2006 to 27.5% in 2012.

This would appear to be a trend that is likely to continue since the wind turbine manufacturing and servicing will move to places, where they are demanded and to regions with rapid economic growth. In addition to the considerably lower labour costs, the high costs of transporting the big parts of wind turbines require European producers to move their production closer to the most dynamic end-user markets to ensure their competiveness and market position. As a result, production has been progressively migrating out of the EU.

In this context, Vestas Group has been part of the trend described above. In order to maintain their leadership on the market, Vestas has recently implemented a new strategy governed by the principle "In the region for the region" with the aim of reducing production costs. Moreover, whereas most of the components of a wind turbine were produced in-house in the past, component production will be increasingly outsourced to regional partners and as a result, Vestas will have a lower need for investments and will reduce its staff.

This is the third EGF case involving the company Vestas Group and the fourth EGF case in the wind turbines sector. The arguments presented in the two previous cases (EGF/2010/017 DK Midtjylland Machinery, EGF/2010/022 DK/LM Glasfiber and EGF/2010/003 DK/Vestas) remain valid.

Denmark submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers. The application cites 611 redundancies in Vestas Group during the reference period from 18 September 2012 to 18 December 2012.

On the basis of the application from Denmark, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 6 364 643**, representing 50% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above, to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25% of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trilogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal trilogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2013 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Appropriations from the EGF budget line will be used to cover the amount needed for the present application.