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Remembering When Enron Saved the U.S. Wind Industry (January 1997)

by Robert Bradley Jr.
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January 7, 1997, some 13 years ago, was one of the worst in my 16-year career at Enron. Enron had already entered into the solar business (1994) in partnership with Amoco (Solarex), and the U.S. wind industry was on its back. Zond Corporation was struggling, and rival [Kenetech](#) had recently [suspended its dividend](#) and was on the way to [bankruptcy](#). Enron bought Zond on this day and renamed it Enron Wind Company.

Enron Wind would never turn a profit, and it would be sold in May 2002 by the bankrupt parent [to GE](#). (GE and Enron would have other [ominous parallels](#).)

Enron came in at just the right time for a troubled, undeserving industry by

1. Putting a big-name corporation in the U.S. wind industry for the first time;
2. Issuing countless press releases on ‘wonderful’ green wind for the next five years; and
3. Successfully lobbying [Texas politicians to enact the most strict renewable mandate in the country in 1999](#).

Regarding the third point, the Texas mandate created the unholy business-government alliance that resulted in the state’s increasing its mandate in 2005. Texas is the leading wind power state in the country—but hardly by consumer choice.

Right after Enron purchased Zond to enter into the wind business, I got a call from Hap Boyd, Enron Wind’s PR person. The Cato Institute had just published my windpower-centric study, [Renewable Energy: Not Cheap, Not ‘Green’](#) (August 1997), and Hap was trying to sell me on the benefits of wind. One of his arguments I remember was that landowners were receiving royalties from allowing the use of their land for wind turbines, as if this really meant something.

My relationship with Enron Wind went downhill from there. The head of the subsidiary wanted to get me fired for my public opposition against this technology (see the interoffice memos posted at my [political Capitalism website](#)).

Oh how sad I am that Enron purchased Zond and did so much to enable the artificial windpower boom in Texas and United States. *Houston Chronicle* business writer Loren Steffy wrote about this in a column, [Wind Whispers of Enron](#) (June 3, 2008).

The importance of Enron’s purchase is indicated in the following announcements.

Enron Purchases Zond Corporation (as reported in the [New York Times](#)):

ENRON ACQUIRES ZOND, A MAJOR WIND-POWER COMPANY

The Enron Corporation said yesterday that it had acquired the Zond Corporation, one of the largest developers of wind-powered electricity generation, and formed a business unit to focus on developing renewable energy projects. Terms were not disclosed. Zond, which is based in Tehachapi, Calif., will become a subsidiary of the Enron Renewable Energy Corporation, which was formed to develop projects for Enron, which is based in Houston. Zond is expected to break ground this year on the largest single wind-power project to date, to supply power to the Northern States Power Company.

And from the [American Wind Energy Association](#):

For immediate release: January 6, 1997
Contact: Jessica Maier, (202) 383-2500

Houston-based natural gas and power marketer Enron Corp. announced today that it has purchased wind power developer and manufacturer Zond Corp. of Tehachapi, Calif., and will form a new business unit, the Enron Renewable Energy Corporation, which will be responsible for developing renewable energy sources for Enron. The acquisition of Zond was described by the American Wind Energy Association (AWEA) as “a tribute to the foresight of Enron, the leading power marketer in the U.S.”

ENRON ACQUIRES ZOND, LAUNCHES ENRON RENEWABLE ENERGY CORP.

AWEA Calls Transaction Signal of Wind Energy’s Role in Emerging Competitive Market

“This action by Enron underscores the enormous worldwide potential for wind energy,” said Randall Swisher, executive director of AWEA. In an [August 14, 1996, press release](#), Worldwatch Institute called wind power “the world’s fastest growing energy source,” noting that worldwide wind power capacity increased by 32% from 1994 to 1995. According to [AWEA’s own projections](#), this growth will continue, with global wind capacity reaching 23,500 MW by 2005.

“Renewable energy will capture a significant share of the world energy market over the next 20 years, and Enron intends to be a leader in this very important market,” said Kenneth Lay, Enron chairman and CEO.

“Enron is one of the most aggressive and strategic- minded players in the energy market,” said Swisher. “Clearly, Enron sees renewable energy as a necessary component of their operations—a component which will give them a competitive edge in tomorrow’s electricity market where consumers will be able to choose their power suppliers.”

“We believe that utility restructuring holds tremendous promise for companies with ‘green’ energy sources, like renewables, as part of their generation mix,” said Norm Terreri, Senior Vice President of Green Mountain Power and President of AWEA, “because environmentally- conscious customers will prefer to buy their power from a clean source.” This phenomenon has been consistently borne out by opinion polling, and was recently evidenced in a retail wheeling pilot program conducted in New Hampshire, where several energy providers used Green Marketing to finish among the top competitors.

Swisher also noted that the Zond/Enron transaction is a huge step forward on one of the main problems facing wind companies—lack of capital. “Wind companies are typically small and undercapitalized,” he said. “and have lacked the financial resources that will be necessary to aggressively engage the emerging retail electric power markets. Enron, however, consistent with its reputation for looking to the future, realizes the great potential this small industry possesses. A deal like this one should help skeptics recognize the staying power of the wind industry. Wind energy is now, and will continue to be for decades, one of the fastest growing energy sources in the world.”

The Zond/Enron deal will be mutually beneficial for the two companies, said Swisher: “Zond will be able to more aggressively pursue opportunities in the domestic market, as well as overseas where the wind market is growing at an unprecedented rate. Enron will benefit by adding a new component to its business that will certainly be advantageous in the era of customer choice and growing worldwide concern about the environment.”

Zond, a wind project developer and turbine manufacturer, was founded in 1981. The company was one of the first wind farm developers in California. Zond has approximately 200 employees, and produces around 600 million kWh from its fleet of 2,400 turbines. Zond turbines currently operate at three locations in California— Tehachapi, Altamont and San Geronio Pass—as well as Texas and Vermont. The company is currently installing turbines in Northern Ireland and will be shipping turbines to China in February. The world’s largest wind project—100 MW—will be constructed by Zond in Minnesota this year to serve Northern States Power.

Formed in 1974, AWEA is the national trade association of the U.S. wind energy industry. AWEA’s membership of over 800 includes turbine and component manufacturers, project developers, utilities, academicians, and interested individuals from 49 states.

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