

North America



Mexicali is seen as having great potential Photograph: Omar Bárcena

Planning a Mexican renewable manufacturing hub to rival China

The Silicon Border industrial park has signed up with global property giant Jones Lang LaSalle to attract renewable-energy companies to its site in Mexico, close to the US border.

“Infrastructure is very important. There is not one other location that matches this, not that I’ve seen in the whole of Mexico”

Vincent Roché

Basic infrastructure for the project was completed in 2010, but the global economic downturn stunted efforts to bring in tenants — renewables manufacturers, as well as aerospace and automotive factories.

But Silicon Border president Daniel Hill says: “Most people feel the economy in the US is picking up. Everybody that you talk to sees the green sprouts of growth coming back.”

He claims the benefits provided by locating a factory for solar panels and wind equipment in Mexicali, in the state of Baja California, outweigh the cheap labour found in Asia, where Hill spent years building semiconductor factories. “As processes have started to automate, labour costs have become less important,” Hill tells *Recharge*, adding that tax structure and incentives have become key.

“Everybody knows that they have to be really competitive on price,” says Hill, adding that he is selling space at \$40 per square metre, half or a quarter of the price of land in Asia, although, admittedly, the land is not the biggest cost of building a factory.

However, with Chinese goods facing potential tariffs, and the cost of transport growing, locating factories closer to demand centres has become a more interesting proposition.

The US **Department of Commerce** (DOC) is mulling anti-dumping duties on Chinese crystalline PV cells and modules after allegations by US manufacturers of illegal Chinese government subsidies and dumping of PV equipment. As a result, tariff-free Mexico is starting to look like an attractive option. Hill says he and his partner looked for somewhere in the same time zones as the US with incentives that could match those in Asia.

After looking at Costa Rica, Canada and even Native American reservations, they settled on Baja California, which has power and water — two vital resources for sophisticated manufacturing.

"Infrastructure is very important," says Vincent Roché, senior vice-president at **Jones Lang LaSalle**.

"There is not one other location that matches this, not that I've seen in all of Mexico."

"Our park is like a sustainable city," says Hill. "It's designed and built to be eco-friendly."

Built on 2,000 hectares a stone's throw from California, Silicon Border is situated close to two fossil-fuel-fired power plants, guaranteeing "high-quality power". It also has access to three major grid lines that connect to the US, allowing solar projects built at Silicon Border to sell into the needy California market.

In 2010, with the completion of Silicon Border's infrastructure, Hill had an agreement with German PV manufacturer Q-Cells, but that collapsed with the Wall Street meltdown, he says.

However, since then, Hill's other company, Baja Sun Energy, has signed up for a 10MW concentrating PV project at the site and will build a production facility in conjunction with Taiwan's Arima Solar. Baja Sun Energy has a memorandum of understanding for a 25-year power-purchase agreement, but Hill will not disclose the customer's name.

And with the expectation of thousands of wind turbines to be installed in Baja California in the coming years, he says Silicon Border is in "an ideal spot" for wind equipment manufacturing.

The Jones Lang LaSalle team is embarking on a four-city tour of Asia with a focus on selling real estate at Silicon Border.

"There's a huge demand for this type of infrastructure and location," says Roché.

ING Clarion, now known as **Clarion Partners**, a US real-estate investment manager, provided the project's start-up capital, and more than \$60m was initially invested in infrastructure for production sites and utility-scale solar power production.

Mexican group Maiz is the construction company and a major investor.

"We are very excited about the outlook," says Suzanne Franks, vice-president at Clarion Partners. "Our capital was used to improve the raw land and prepare it for sale to end users. Completed infrastructure includes electricity, water and roads. We anticipate that the ultimate buyers will be energy-related companies."

Christiana Sciaudone, Mexico City

Published: Wednesday, March 21 2012