Study scrutinizes Nevada’s ‘green’ jobs initiatives

By Sean Whaley, Nevada News Bureau

A report questions the value of tax incentives and regulations approved by many states around the country, including Nevada, to create “green jobs,” noting that subsidies used for such programs can take away revenue for other needs such as public education.

“States face a hard and fast budget constraint; they cannot deficit spend or take on debt for general operating expenses,” said Bryan Leonard of State Budget Solutions in his report, “Green Jobs Don’t Grow on Trees.”

“This means that every dollar spent by states on green job training programs, grants to green firms, or subsidies for renewable energy producers is a dollar that cannot be spent on teachers’ salaries, educational tools, or social safety nets,” he said.

“Our study showed that green programs are incredibly expensive for states who aren’t in a position to know which investment will pay off and which won’t,” said Bob Williams, president of State Budget Solutions.

Nevada State Office of Energy Director Stacey Crowley said she doesn’t necessarily agree with all the views of the article, but she noted that two of Leonard’s recommendations – to use Energy Service Companies (ESCOs) and allow for renewable power purchase agreements – are both being used in Nevada.

Private sector ESCOs contract to come into a client’s operation and find opportunities for energy savings, pay for the necessary renovations, and then receive some contracted portion of the resulting energy savings as compensation.

Renewable power purchase agreements use private firms to install solar panels on a host's property and the host purchases the resulting solar power at a contracted rate usually set at or below prevailing energy rates. The contracted firm bears all the cost and risk associated with the installation and maintenance of the solar equipment.

"It goes to show you that we are looking at as many options as we can to try to get projects funded in innovative ways that don't use taxpayer money," Crowley said. "It is a problem we need to try to address. And that is trying to get all energy projects, clean energy projects, done in a way that has the least impact on ratepayers and taxpayers as possible. So that's a goal that I think everybody can agree on."

The State Budge Solutions report examines each state's green jobs statistics, including Nevada, where Leonard identified seven separate financial incentives for green jobs. Three of the seven are property tax exemptions.

Nevada also received just over $1.1 billion for "energy and environment" projects from its federal American Recovery and Reinvestment Act funding.

Leonard said Nevada came in 11th among states for such projects, meaning there has been a lot of investment by the federal government in green jobs in the state compared to others.

Nevada has also established a goal of having 25 percent of its energy consumption coming from alternative energy by 2025.

Leonard said the average number of financial incentives is eight per state, with New York leading the way with 22 different incentives.

They range from tax credits and rebates for homeowners who install renewable energy systems or purchase Energy Star appliances, to multimillion dollar grants to wind farms and green manufacturing firms.

Tax credits are tricky because they add up quickly and create less obvious budgetary problems because they do not show up in the “expense” column and instead amount to foregone revenue,” he said in his report.

In a telephone interview, Leonard said: “Under certain circumstances is probably makes sense to do things that have real economic costs because it is important. But I think that it is just a pipe dream to think that you can enact these policies that raise the cost of doing business, raise energy costs, and somehow that is going to create economic growth.

“That’s the real problem right now is that there is this whole idea of the green economy, that we can improve environmental quality by raising costs on businesses and that somehow is going to create jobs. I think that is pretty counter-intuitive.”

Leonard said Nevada is in the middle of the pack of states for both policies and outcomes.

Crowley said the costs associated with tax breaks and regulations identified in the article don’t reflect “avoided costs,” like not having to build new and expensive power plants because of energy efficiencies. Other costs are associated with EPA regulations that can be avoided by producing clean energy, she said.

Crowley also noted that the subsidies provided for oil and natural gas far outweigh those given for alternative energy projects.

A little more than one year into the job, she said: “I am sure that there is a lot of potential here. What we need to do is just balance that with the other impacts that are affected by this. We’re very sensitive to the fact that rates are high in this state and that we need to make sure we’re doing the best we can to keep them reasonable. And there isn’t a silver bullet.”

Crowley said her office is working to help ensure green energy development in Nevada is sustainable and does not suffer the fate of the state’s housing market.

Leonard said in the conclusion of his article: “Green growth proponents are convinced that if they could only offer the right subsidies, their agenda would prevail. Unfortunately, subsidies are doomed to fail because they try to make fundamentally economic decisions through the political process.

“State officials, no matter how well-informed they are, simply don’t know what demand for green products will look like or what the opportunity cost of differently technologies may be. Examples like Solyndra, Evergreen Solar, and Cascade Grains illustrate the enormous costs when the government gets it wrong. Far from being the exception, failed investments are by far the more likely result when state governments try to steer the market.”

Nevada has seen a taxpayer funded green energy product fall on tough times as well.

Amonix reported in January that it was laying off about 200 people from its solar panel manufacturing plant in North Las Vegas. Amonix received $5.9 million in federal ARRA funding to build the plant, which opened in May, 2011.