

California missing out on 'green' manufacturing jobs

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When solar technology company SMA America was looking for a place to put its headquarters, Rocklin was a logical choice. California, after all, represents more than 40 percent of the national market for solar installations.

When it came to choosing a place to manufacture its solar and wind inverters, however, the firm went to Denver.

"Denver offered a good mix of affordable buildings, access to skilled labor, a convenient distribution infrastructure and an overall attractive and supportive business climate," said Jurgen Krehnke, president and general manager of SMA America.

California leads the nation in encouraging renewable energy. Taxpayers and electricity customers dish out more than half a billion dollars a year to subsidize green power, spurring thousands of jobs in research, sales, design and installation.

But the state is missing out on a richer vein of jobs in green manufacturing, as companies go out of state or leave the country in search of lower costs and government incentives.

The state boasts the highest number of green technology patents, 450 registered between 2007 and 2009, according to a recent state Senate report. California captured 57 percent of the \$4.9 billion in venture capital funding invested in clean technology nationwide in 2011.

"But most of the equipment California installs to generate green electricity is made by workers in other states and other nations," says the report from the Senate Office of Oversight and Outcomes.

"Wind turbine towers arrive here from Vietnam, solar panels from Malaysia, inverters from Colorado, fuel cells from Oregon. Solar and wind jobs in California mostly involve sales, design, installation and maintenance, not manufacturing."

Only 5,000 of the 25,000 jobs in the state's solar industry, for instance, are in manufacturing.

Krehnke, the head of SMA America, said "there's a great deal of optimism about the future of green technology in California." However, he added, "More focus from policymakers is necessary to attract and retain not just the business and administrative jobs, but the manufacturing ones as well."

With the state facing double-digit unemployment and the state treasury depleted, policymakers, energy advocates and business people are scratching their heads over how to accomplish this goal.

The Senate researchers call for creating a public "green bank" to make loans to promising upstarts. They also suggest the state take back public money when energy companies don't deliver on promises, and revamp and tighten current subsidy programs.

Dorothy Korber, a committee staff member and one of the report's authors, said the research was commissioned in response to the high-profile collapse last fall of Solyndra, a Fremont solar manufacturer that received \$535 million in federal loans.

"We were asked to look for ways to protect public money and still create jobs, while reducing greenhouse gases and boosting renewable energy," Korber said.

Global forces beyond California's control have a lot to do with why manufacturers go elsewhere. But the Senate report found that the state's incentive programs may also play a role. Most were created before the 2008 recession hit, and they're geared to encourage research or fit rooftops with photovoltaic systems or wind turbines, not spur new manufacturing jobs.

The report also called for more equitable distribution of public funds through incentives. In making the case for change, it cited the state's 2010 award of \$208 million to a single fuel cell company, Bloom Energy in Sunnyvale, which now plans to open a 900-worker factory in Delaware.

Competition for locating factories is fierce, with other states dangling incentives. Many California renewable energy companies have announced plans to expand in Oregon, Mississippi and other states.

"Some of these states will plunk down \$75 million to lure one California company," Korber said.

Anne Smart, director of energy for the Silicon Valley Leadership Group, said California needs to streamline its regulatory processes, reform the California Environmental Quality Act, and create a green bank from revenues generated by the state's upcoming cap-and-trade program for greenhouse gases.

"Other states are slightly more nimble and proactive, whereas California has been reactive, and scrambling to offer packages to companies," she said. "We have a pretty complex system here compared to other states."

CEQA reforms could include erasing duplication of paperwork and requirements that don't have environmental impact, Smart said.

Later this year, the California Air Resources Board will begin auctioning greenhouse gas emission credits as part of the state's cap-and-trade program, which will cap the overall amount of global warming gases that can be released. The auction is expected to produce anywhere from \$500 million to more than \$1 billion for the state in the first year. Smart said the money could provide seed funding for a bank to leverage financing for California clean energy companies.

Smart applauded Gov. Jerry Brown's new Office of Business and Economic Development, nicknamed GO-Biz for its efforts to make doing business easier, including streamlining of site selection and permits, helping companies get incentives, and international trade development.

SMA America was founded in 2001 in a Grass Valley home office with one employee before incentive programs were well established in California. The company relocated to Rocklin in 2008, where the company's sales and distribution office employs 120 people, Krehnke said.

Even though SMA America makes its products in Denver, Krehnke envisions continued growth in Northern California, maybe even in the manufacturing sector.

"Generally speaking, photovoltaic solar is a maturing industry that benefits greatly from stateside manufacturing, so it is entirely possible, if not likely, that the number of manufacturing jobs and locations will increase over the next several years," he said. "For California to participate, the business climate will need to make it feasible."

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