Somewhere over the United States, at thirty-two thousand feet, a plane is whizzing across the sky, with a passenger on board who’s on a mission to build a new dream. He’s looking out the plane window, taking a break from the Excel spreadsheet open in front of him, and pondering where to locate the new office and industrial campus his company wishes to break ground on in the coming year.

You’ve guessed it. Our passenger is one of the thousands of real estate site developers travelling the country looking for a dream come true. The life of a commercial or industrial site developer is complicated. On one hand, he’s balancing the real estate expansion needs of his employer or industrial client, with communities and their urgent need to provide increased employment, quality of life, and educational opportunities. There’s a lot at stake for so many. State and local governments greet him with open arms, with enticements such as tax abatements, transportation and other infrastructure improvements, and even workforce training promises. So many inputs, so much to consider, yet the mystery remains, where will the dream come true?
The Greening of Economic Development

The economic development paradigm shift

As our passenger peers out his window, the pilot announces, “We’re now at 32,000 feet, about halfway to our destination. In just another ten minutes, you’ll be able to see the Mighty Mississippi.”

He looks more closely, and indeed, recognises the state they’re crossing over. He shakes his head, as he realises that state was knocked out of the running for his company’s new facility, with two thousand jobs at stake. The state and local economic development teams never even had a chance to present the tremendous advantages for this new business to locate in their area.

For decades the economic development paradigm has been very predictable. Just make sure you have a ready and willing workforce, sprinkle on some tax abatements, and confirm there are multiple transportation options to and from the site. Don’t forget about aligning your vocational and technical schools and community colleges, to the needs of the incoming employer. Are there plentiful and varied housing options for the company’s workforce? And let’s not fail to stumble over the obvious ones, like centralized wastewater and broadband.

Electric utilities have frequently offered a predictable and beneficial path to new development prospects. Advertising “low electric rates, the most reliable service, and discounts for commercial and industrial customers”¹, utilities seek to attract new load with this traditional value proposition they’ve used for decades. Those utility incentives have often led to a “win” in economic development for many regions and states.

Yet our passenger wants more than the typical incentives. The traditional economic development paradigm has shifted. What’s changed?

“The traditional economic development paradigm has shifted. What’s changed?”

¹ Delaware Intelligence Report, March 2019, page 214, as published by Site Development magazine
The Greening of Economic Development

The demand for renewable energy

The American economy has enjoyed sustained growth for over a decade. With the COVID-19 pandemic upon us, economic development becomes more important and critical than ever before. Yet new corporate strategic emphasis on sustainability and renewable energy goals and achievements, driven by shareholders and employees, has transformed how new business sites are won and lost. American consumers increasingly want to do business with brands that embrace purpose and sustainability. A recent report by Nielsen revealed that certain categories of products with sustainability claims showed twice the growth of their traditional counterparts.2

It all began back in 2015, with the American Business Act on Climate Pledge3, when thirteen of the largest American companies – from Alcoa to Cargill, Coca Cola to Walmart - made their first pledges to achieving a low-carbon, sustainable future.

Fast forward to today, and in just the past two years, hundreds, soon to be thousands, of high-growth business have set 100% renewable energy and sustainability goals. Witness the commitment and accomplishments of the RE1004. The RE100 is a global corporate leadership initiative bringing together businesses committed to 100% renewable electricity. In fact, the RE100 has now accepted over 230 business members.

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4 RE100, website http://there100.org/
These business commitments represent a challenge to almost every economic development team. Most states are not prepared to supply 100%, 24/7, renewable energy resources, all within the next one to three years.

“In fact, the RE100 has now accepted over 230 business members.”

Recently, in Google’s 2019 Annual Environmental report, the challenge and opportunity is laid clear: “In 2018, we achieved twelve consecutive years of carbon neutrality and, for the second year in a row, matched 100% of the electricity consumption of our global operations with renewable energy. We also announced our long-term goal to power our operations with carbon-free energy, 24/7, 365 days a year.” Google alone has signed 34 agreements totaling more than 3.75 GW of renewable energy.

And businesses are committed to “green-energizing” their entire supply chain, encouraging suppliers to make similar pledges. Back in 2017 Walmart launched Project Gigaton, a sustainability platform where the company “invites” suppliers to join Walmart in committing to reduce greenhouse gas emissions resulting from their operations and value chains. Mars has launched a new Pledge For Planet initiative, calling on all its suppliers to join RE100 and set science-based targets.

“The economic development paradigm has shifted, with new site locations demanding 100% renewable energy and other sustainability attributes. Without it, your site proposal is increasingly dead in the water.”

The economic development paradigm has shifted, with new site locations demanding 100% renewable energy and other sustainability attributes. Without it, your site proposal is increasingly dead in the water.

You’ve guessed it by now: Our passenger works for a company that wants carbon-free energy, 24/7, for its new industrial site. And it’s not just about new economic development growth strategy; your existing business wants in too.

Most of the new employment in your local area will come from the existing businesses already thriving and expanding there (Figure 1). A perennial issue given short shrift in many economic development strategies, retaining existing high-quality employers should always be a priority, with dedicated resources allocated to listening to and acting on their concerns.

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6 Google 2019 Environmental Report, page 2
7 Walmart 2018 Global Responsibility Report
Here’s a case in point. Many European and Asian companies are committed to achieving the “2°C target” of the Paris Agreement, pursuing the global reduction of greenhouse gases across their entire business enterprise in every country. Most of these companies with existing manufacturing and distribution facilities in many states, some who have been there for decades, find it very difficult to change their energy provider’s power generation fuel source to achieve a 100% renewable energy commitment.

The challenge for state and regional economic development teams is how to ensure that existing businesses commit to expansion within their state. It’s very possible they will lose them to the “greener” pastures of a state that makes it easy to achieve their 100% renewable energy and sustainability goals.

“And it’s not just about new economic development growth strategy; your existing business wants in too.”

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**Figure 1:** “According to the Gartner Group, 80 percent of your future profits will come from just 20 percent of your existing customers. That means the revenue sources you’ve been trying to find are most likely sitting right under your nose, waiting to be nurtured and cultivated.”

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8 Ministry of Foreign Affairs of Japan website, Climate Change
In many cases, barriers to expanding renewable energy are regulatory and therefore within state control. (Figure 2) Here are a few that can be an obstacle for successful economic development in your state:

**Restricted access**
Utilities are protective of their exclusive market position, and may be weighed down by stranded assets dating back to “brown power” generation from the 80s and 90s.

**Utility Rate Structures**
Unfavorable utility rate structures have been a perennial barrier to increased deployment of renewable energy technologies. Unless carefully monitored to encourage the development of distributed generation, rate structures can increase the cost of renewables (e.g., through stand-by rates, lack of net metering) or completely prohibit connection to the electrical grid.

**Lack of Interconnection Standards**
The absence of standard interconnection rules, or uniform procedures and technical requirements for connecting renewable energy systems to the electric utility's grid, can make it difficult, if not impossible, for renewable systems to come online.

**Barriers in Environmental Permitting**
Large-scale renewable energy technologies are subject to all the necessary environmental permits of major industrial facilities. Renewable energy generation can face permitting hurdles until officials are familiar with the environmental effects of the generation processes.

**Lack of Transmission**
Many renewable resources are located in remote areas that lack ready or cost-effective access to transmission. States that have not established clear utility regulations that enable investments in transmission to be reimbursable (i.e., cost recovery), nor coordinated planning and permitting processes, slow the development of utility-scale renewable projects in their territory.

“In many cases, barriers to expanding renewable energy are regulatory and therefore within state control .”
The Greening of Economic Development

While not an exhaustive list, these five primary obstacles point to the root of the problem, but they also light the way to the solution.⁹

Where states and their associated public service commissions have permitted, independent power producers have successfully developed renewable energy resources to meet economic development demand. In most cases, neither the business customer nor the local utility have to capitalize the development, construction, or operational control of the renewable energy facility, since only a power purchase agreement is executed. It’s a no-risk economic development benefit, renewable energy at a price less than “brown power,” and the business receives full 100% of the renewable energy attributes.

Unfortunately, too many states have permitted a local utility monopoly to control access, development and the pace of renewable energy development. Our passenger has removed those states from his economic development search because of the inability for those states to meet his renewable energy needs.

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Figure 3: Unfortunately, too many states have permitted a local utility monopoly to control access, development and the pace of renewable energy development.
Are you ready for the opportunity?

Our plane passenger exits the plane at his final destination. In a meeting with your economic development team later that afternoon, discussions are going well. He’s willing to commit to an initial first-year employment goal of 500 jobs, with full health benefits for all workers. A convenient transportation corridor is available, and housing is plentiful and affordable. A local vocational school is teaming with the new employer to structure new workforce training skill development.

Our passenger poses his final question: his company requires 100% renewable energy, to meet its sustainability goals, and cannot plug into “brown power.” Are you able to commit to a 100% renewable fuelled power supply, with the added kicker of a 20 to 30 percent increase in power consumption per year?

Today there are many states that have nurtured a business environment that supports easy access to renewable energy resources. Those states are winning new economic development growth at an astonishing pace compared to other states in previous decades.

Are you ready to compete for business expansion? What can you do to make your renewable energy strategy a winning part of your state’s value proposition for business attraction or retention?

Make no doubt about it, the time is here, the growth opportunities are here, and many more are on their way. Will you win, or lose, the dream?

“Will you win, or lose, the dream?”

Jim Bausell is the Executive Vice President of Business Development at Silicon Ranch Corporation where he leads the company's growth strategy as it expands its solar portfolio across the United States. Jim has more than 40 years of experience in business development including 20 years holding leadership positions at the National Rural Electric Cooperative Association.

Jim Bausell
Executive Vice President, Business Development
Silicon Ranch Corporation
772 882 8742 | jim.bausell@siliconranch.com