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A Proposal for Investing $500 Million on Energy

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We saw last week that simply eliminating a few of the trash-the-environment subsidies in current Wisconsin law would generate at least $500 million annually - a nice enough chunk of change. How might that be spent?

Well, we could use it to cover more of our state deficit - itself the product of similar corporate subsidies and recent regressive shifts in our tax law.

But a more interesting idea would be to use that money to change the system as it operates in our state. Spent wisely, this would immediately improve our lives and, longer term, it could make Wisconsin a competitive powerhouse in the "natural capitalism" that nature's limits - and popular concern about our exceeding them - are encouraging worldwide.

A convenient place to start is with energy efficiency. Wisconsin, like most states in the Midwest, imports virtually all of its energy, and relies 95 percent on nonrenewable coal, oil and natural gas. We know that this pollutes and kills and can't continue forever (that's what "nonrenewable" means, after all), and that even now it's not meeting our emerging energy needs. We also know that there are cheaper, homegrown, renewable energy sources available in the state and region, which don't pollute and would keep the money here. It doesn't require rocket science to see that that's a better investment of our public (and private) dollar.

So imagine an energy efficiency fund - maybe called the "Green Energy Fund" - established by the state and maybe owned by all of us, that started with $500 million in annual capitalization (and several times that, say $10 billion to be conservative, in rotating loan capacity), with a mission to promote energy efficiency and renewable energy use. Imagine someone showing real leadership in our statehouse, laying down a challenge to Wisconsin to get our 95 percent reliance on polluting nonrenewables down to 80 percent over the next 10 years, and 50 percent over the next 20, and zero over the next 30 - a fully clean future by the time a baby born tomorrow is thinking about starting a new family.

The energy efficiency fund would invest in two sorts of things: the movement of new energy-efficient and/or renewable technology or material into existing sources of energy generation or consumption, and the development of new clean sources and consumption patterns. So, for example, fitting currently coal-burning plants to accept biomass instead, or shifting to photovoltaic generation. Or establishing and then helping to subsidize the achievement of new ultra-clean standards on new office or residential construction, while underwriting a massive "retrofit" of older developed properties to promote energy efficiency. And leveraging current transportation dollars, both state and federal, away from individualized transport toward clean and universally available mass transit.

What we know is that the Midwest has - through solar, wind and biomass power - enough potential energy of its own to take care of most of our present and future needs. Supplemented with the judicious use of natural gas, we can in fact make a transition to clean energy. We also know that, by generating most of our energy here, we realize great economic benefits currently lost to us.

First, we don't have to pay outsiders to keep our factories and offices running, and ourselves comfortably warmed and cooled. The money stays here, raising our standard of living. Second, dedicating ourselves to energy self-sufficiency as a state means applying more efficient and renewable energy technologies at scale, which in turn reduces their unit cost. Already nearly competitive with polluting alternatives, even under the distorted terms of today's markets, this sort of a boost would make them even more so, immediately positioning Wisconsin to capture share in the green markets emerging worldwide. Imagine a world in which it's actually cheaper to get energy from renewable sources than nonrenewable ones.

Consider, as an example of how this all might work, the case of Milwaukee. We know that its residents and firms waste about $150 million annually on energy bills they wouldn't have if current efficiency materials and technologies were used. We know that the purchase and installation of such materials and technologies would cost about $500 million. And we know that Milwaukee is in desperate need of economic development. So a natural way to kill several birds with one stone is to invest that money to do a citywide retrofit, and source as much of the equipment and labor as possible from local business, and develop a blighted area as a demonstration site for ultra-clean manufacturing.

Finally, consider this from a hard-headed, profit-taking, business point of view. A $150 million annual return in savings on a $500 million investment is a fantastic deal. It pays back the initial investment in a few years' time; and then it keeps on paying, providing consumable income and an expanding pool of capital for new investment. In this way, we can pave the road to a cleaner energy future as we move along it - while realizing more jobs and income along the way.

Not a bad investment, huh?

Joel Rogers teaches at the University of Wisconsin-Madison and is founder and director of the Center on Wisconsin Strategy (COWS), which administers the Sustaining Wisconsin campaign. This is another in a weekly series of Capital Times columns he's writing on issues in the campaign. For more information, see www.cows.org and www.sustainingwisconsin.org.

On Jan. 29, COWS debuted "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. The themes expressed in this view of the state of the state will carry through the next 18 months as COWS uses Sustaining Wisconsin to put the Wisconsin Idea into action.
