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Alternative energy is key to Michigan's road to recovery

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Michigan's fledgling alternative energy industry -- fast-moving, highly competitive, filled with uncertainty and last week boosted by new state legislation -- has sparked excitement among many of the state's government leaders, business executives and residents.

To understand why, take a quick look around:

- Just west of Saginaw, nearly 1,000 construction workers are building a billion-dollar plant expansion for Hemlock Semiconductor, which produces a key ingredient used to make solar cells.
- On the outskirts of Adrian, the state's largest biodiesel plant, NextDiesel, is producing millions of gallons of the renewable fuel using corn oil.
- And just miles from the Ohio border in tiny Erie, business is booming at the 50-year-old, family-owned Ort machine shop thanks to orders for equipment and parts for solar and wind energy companies.

"The opportunity is so big that it's hard to grow as much as we can," said Robert Milano, Ort's president.

Ort and these other companies are pioneers in what many hope will be one of Michigan's leading industries of the future. As the state becomes less dependent on automaking, its leaders are eagerly eyeing alternative energy as a panacea of sorts for the loss of nearly 460,000 jobs since the start of the decade.

From wind energy to biofuels and lithium-ion battery know-how, Michigan boasts some important assets that could make it a major player in these and other advanced energy markets -- if it can overcome key challenges. Chief among them: fierce competition from other states armed with more aggressive incentive programs.

Just how many jobs the alternative energy business can create in Michigan remains unclear. State economic development officials tout the promise of tens of thousands of jobs. But that tally includes work performed at suppliers, installers and builders because wind farms and ethanol plants don't need thousands of employees as auto factories do.

Adding to the uncertainty, some of the technologies haven't been proven on a large commercial scale. In other cases, getting the renewable power or fuel to consumers and businesses will require substantial investments.

"It's like the Wild West out there," said Terry Nosan, chief executive of Biofuel Industries Group, which owns the Adrian biodiesel plant. "There are a lot of issues and challenges that come up."

To encourage development of alternative energy, Michigan lawmakers late last week reached an agreement on establishing a renewable portfolio standard, which calls for 10% of the state's electricity to come from renewable sources of energy by 2015. The mandate could create a demand for 2,000 wind turbines, among other economic development opportunities, officials estimate.

But even with the renewable energy standard, the state lags some of its rivals when it comes to incentives to attract alternative energy businesses. Though Michigan economic development officials now have \$45 million in grants to distribute to for-profit companies under the new Centers of Energy Excellence program, some states are offering nearly that amount for a single project alone.

Still, Michigan is making a big bet on alternative energy. Since 2003, the state's alternative energy companies have received more tax breaks, grants and other incentives than companies in four other key industries combined. These other industries -- advanced manufacturing, homeland security, life sciences and technology -- are also among those Michigan has pinned its future on.

Though the shift to alternative energy seems high tech and new, in some ways it's a return to an earlier time. In the 1940s, Henry Ford pioneered using soybeans as a renewable resource, turning them into paints and plastic car parts. He also saw the potential for powering his cars with ethanol.

Today, decades later, Michigan is once again headed down this path, but this time the effort involves all kinds of energy sources.

"We're really focused on 'produce locally, consume locally,'" said Doug Parks, the Michigan Economic Development Corp.'s senior vice president of new market development.

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