

Tuesday, 01/12/2010

Governor Highlights Plan to Spur Clean Technology Growth in California



MR. WILSON:

So hello, everyone. My name is Rick Wilson, I'm the CEO of Cobalt Technologies and first I want to thank everyone for taking the time to be part of the launch of our new pilot biobutanol facility here today. I would like to give special thanks to Governor Schwarzenegger and his administration. I'd like to acknowledge Secretary Vickie Bradshaw with the California Labor and Workforce Development Agency; Carl Guardino with the Silicon Valley Leadership Group; John Boesel, President and CEO of CALSTART; Mayor Ronit Bryant, city of Mountain View and Mike Kasperzak, Mountain View City Council Member; Oscar Garcia, president and CEO of Mountain View Chamber of Commerce; Kelly Truman, VP, Marketing and Business Development, co-founder, Solyndra; Josh Richmad, Director of Business Development, Bloom Energy; Will Coleman, partner, Mohr Davidow Ventures; and Randall Grow, Director Of Strategic Development for Symbol Mining. Governor, all of us are honored here today by your presence and we thank you for being here.

A year ago, when I took the helm at Cobalt, I recognized that what the world needs is a solution today, not within 10 years of further R&D efforts. So we had to move fast. We needed jobs and a solution for the United States and other countries looking to reduce their dependence on foreign oil. Whilst ethanol was an impactful first-generation biofuel, we needed to dramatically cut lifecycle carbon emissions, we needed to avoid using food as feedstock, we needed a replacement for gasoline with lower emissions that could be used in existing engines and existing petroleum infrastructure. But most important it had to be cheap, below the cost of petroleum.

I'm proud to say we have succeeded in that endeavor. Our pilot plant is a giant step forward in the development of Cobalt technology and puts us in the position to immediately scale up to commercial facilities.

The result is biobutanol, the next-generation biofuel and green chemical. Cobalt biobutanol can be blended in with gasoline, diesel fuel and ethanol gasoline blends, it can be converted into jet fuel, it can be converted into propylene to make polypropylene-based plastics or it can be sold into the chemical solvent market as a green chemical alternative.

We've positioned the technology to have the best economics, because I believe in the end capital will flow to the most cost-effective solutions. Based on our technical breakthroughs and the successful operation of our pilot plant, we are on track to build a commercial facility within two years. I'm currently building a network of strategic partners in fuels, chemicals, forest products, ethanol and construction industry to deploy our technology at the next scale. This has positioned us to have multiple economic commercial plants in operation by the end of 2014.

But why are we here? Cobalt biobutanol is an ideal fuel for California, ready to meet and exceed the goals of the Governor's Low-Carbon Fuel Standard Initiative. Our process reduces greenhouse gas emissions by 85 percent compared to gasoline. We use non-food feedstock, particularly woody biomass and our fuel is drop-in compatible for engines and current fuel infrastructure with no vehicle modifications. In addition, biobutanol has an energy balance far exceeding first-generation biofuels like corn ethanol.

The Governor is here today because he believes green technology jobs are essential to California's future. California's facilities will deliver jobs to hard-hit rural areas. Next year we will complete a facility that will result in 300 construction jobs and 120 permanent jobs. Then each commercial facility we bring online will create 3,000 jobs during construction and over 1,300 jobs to support the ongoing operation. We will provide jobs for workers displaced in the suffering forest products and biotech industries.

We've insisted on developing technology that is more capital efficient than existing and competing approaches, which we've done by accelerating production rates and shrinking equipment. And we kept it simple. We are a classic California-based innovative company, solving the world's most difficult problems.

And I'd like to thank our investors that have seen the merits of our innovation; Pinnacle Ventures, VantagePoint Venture Partners, Burrill & Company, Malaysian Life Sciences Capital Fund, Life Science Partners, @Ventures and Harris & Harris. Their support has been invaluable to our achievements to date and I thank you for your support.

I can tell you, Governor, I am proud to be a Californian. The Governor and his administration have provided the leadership to make California the place for companies like Cobalt to succeed, policies like AB 32, the Low-Carbon Fuel Standard, the Green Chemistry Initiative, the expansion of the Renewable Portfolio Standard and now his proposed sales tax exemption for green manufacturing. It's this leadership that makes California the optimal place for Cobalt to expand its business.

So Governor, I thank you for your leadership. As the CEO of a clean technology company I applaud all that you have done to capture the innovation inherent in California and its workers. Please join me and welcome the Honorable Arnold Schwarzenegger.

GOVERNOR SCHWARZENEGGER:

Thank you very much, Rick, for the wonderful introduction and also for your great enthusiasm. And I want to thank him for doing such a great job here. I also want to thank Carl Guardino for being here with us today, who is the president of the Silicon Valley Leadership Group; and then John Boesel, president of CALSTART; and then Brian Sager from the Nanosolar; and Mayor Bryant; and Secretary Vickie Bradshaw, who is right behind me here and so many other delegates that are here today. And I also want to say thank you very much to all the hardworking people that are standing right behind with the hardhats, because those are the people that create the action here at this company.

So it was great to go through here and to see how they produce this biofuel. And Cobalt, of course, is doing a great job and, you know, doing this new production of butanol and that's what this manufacturing plant is all about here. But what is great here is that not only do they do a great job protecting our environment -- because as you have heard, 85 percent cleaner fuel is being produced here, cleaner than gasoline. So that's spectacular because, as you have heard, that is going to help us comply with AB 32 to reduce our greenhouse gases by 25 percent by the year 2020 and an additional 80 percent by the year 2050 and it's also going to help us with our Low-Carbon Fuel Standard.

And this is a perfect example, where we can celebrate the creation of this great biofuel in a very cost-effective way and doing such a spectacular job in that direction but at the same time helping the economy because this is creating jobs. And this is what I always said, that you can protect the economy and protect the environment at the same time. In fact here -- what is great also about this is that because they are so successful, they are going to open up and expand very quickly. And they're going to go and build another plant, a big plant, much bigger than this is here, where they will have 1,300 people employed.

And so, of course, I'm here today to just encourage them to keep this company here, to keep the expansion right here in California, keep those jobs right here in California. And I think this is what our initiative is all about. In my State of the State Address I announced the Job Initiative that we estimate will create over 100,000 new jobs.

One piece of my proposal is to exempt the purchase of green technology manufacturing equipment from the sales tax. This will help companies like this, this will help California attract and retain green businesses and jobs like this. It will help us create jobs for the future. If it is in the area of developing alternative fuels or building solar panels or building wind turbines or building clean cars, in all of these areas it will be very helpful.

And I want to send a very clear message to all the companies here in California and to the CEOs and to the innovators, the entrepreneurs, that if you invest in a clean future then we, California, will invest in you and in your company.

And in addition to these green technology manufacturing incentives, my jobs incentive also has four other pieces, which is:

- The \$500 million for a hiring tax credit, so if you hire new people you get a tax credit for that. And retraining programs, which is very important. If you keep them in your company for more than nine months then you can get also additional tax credit.
- Then there's a measure to streamline the permitting of construction jobs and projects,
- And then an extension of the home-buyers' tax credit for new and for existing homes,
- And the tort reform is the fourth piece of our legislation here. It is tort reform to eliminate frivolous lawsuits that hurt businesses and they kill jobs.

I think it's very important that the legislature act swiftly on all of this legislation. We can't afford to sit back and to wait for the world economy to come back. We can't wait for Washington to come up with a master plan on how to bring jobs back. We have to be responsible for creating jobs. And even though the states, as we all know, have a limited amount of power in creating jobs, we still have to use all of the power that we have and all of the creativity by Democrats and Republicans working together to create those jobs, because our economy will not come back, our revenues will not come back until jobs come back. Jobs is the most important thing.

In Sacramento, of course, we have a lot of dialogue about job creation and about the economic growth and about economic stimulus. But, you know, the reality is behind all of this dialogue. There are real people. I mean, there are people that are laid off in the construction business, there are people that are laid off that work for financial institutions, for banks, there are teachers that are being laid off and so on.

And when we talk about laying off, this is not just that you're losing money or that you're losing a paycheck. It is an emotional roller-coaster ride that people are going through when they lose a job because you want to feel productive. You lose your sense of productivity or your sense of belonging, or that you're able to provide for your family, that you're wanted and needed and that you can be productive, all of those things. So it's really hurting people here in California. And as you know, we have a 12.2 percent unemployment rate and so we have to do everything that we can to bring people back.

And that's why already in December, when I was asked what my New Year's resolution is, I said, "Jobs, jobs, jobs." That's what it's all about. It's just bringing jobs back. And I said the same thing in my State of the State Address and I say it today again. And I'm going up and down the state of California to talk about job creation and to work with companies and, through this tax incentive, you know, to help us stimulate and create those jobs.

So I want to say thank you again to Rick Wilson for having me here and for doing such a great job. And now I would like to bring out our next speaker, which is Carl Guardino, to say a few words about job creation and about this great, great economy. Thank you very much. (Applause)

MR. GUARDINO:

Governor Schwarzenegger, some of us were lucky enough or blessed enough to be born here. You were wise enough and bold enough to move here. And thanks to your leadership with the jobs package, investors, entrepreneurs and employers will once again invest here in California.

Silicon Valley is successful for several reasons; we are the world's innovation capital, we are the world's top intellectual capital, we are a magnet for venture capital. What we have long lacked is the support of our State Capitol. But thanks to the leadership of Governor Schwarzenegger and a small but growing cadre of state legislators, our State Capitol and Silicon Valley's innovation capital are finally coming back together and the result will mean more jobs, a stronger economy, a cleaner environment and a healthier state.

Thanks to the innovative spirit of Silicon Valley and California we remain the world's leader in emerging technology with companies like Cobalt, SolFocus, Solyndra, Miasolé, Bloom Energy, Nanosolar and others standing behind me. In fact, California attracted 50.4 percent of the total U.S. venture capital investments in 2008 and nearly 59 percent of the total invested in clean tech in the United States. VCs put their wallets where their words are and they are betting on Silicon Valley and California. These investments have led to a steady growth in the number of green jobs and green businesses in the Golden State.

To remain competitive in the U.S. and around the globe California must foster a business climate that maintains and grows our clean tech job base. Remember, California's manufacturing employees are paid on average \$25,000 more per year than service sector jobs. Yet California continues to be among the least friendly states in which to do business. In fact, four of the top revenue sources that fill California's coffers are personal income taxes, corporate income taxes, sales taxes and property taxes. Other than Massachusetts, we have the highest personal income taxes and corporate income taxes of any of the top

U.S. technology regions. Additionally, we have the highest sales tax rates of those U.S. technology regions.

Last week the Governor proposed in his State of the State Address real tax incentives to create real jobs. This proposal offers a green manufacturing equipment tax credit as a part of his California Jobs Initiative. Silicon Valley supports the Governor's recognition for more renewable and clean tech investments in the state. The green tech sales tax exemption demonstrates an important step towards improving California's job climate and the Silicon Valley Leadership Group supports the application of a full sales tax exemption to level the playing field for future growth and help California's competitiveness. Don't forget, currently 42 of the 49 other states, our competition, offer an exemption for such purposes.

Innovators across the Valley are pouring resources into everything, from solar power, biofuels, electric and plug-in hybrid cars, fuel cells, energy-efficient computing and lighting and sustainable building practices and materials.

Governor Schwarzenegger has proven one again that green is gold. We applaud him for making sure the innovation highway runs both ways, from Silicon Valley to Sacramento.

I also want to thank our friends at California Strategies for their efforts to bridge the gap between legislators in the State Capitol and Silicon Valley leaders in the innovation capital. That helps the Governor succeed in our group effort to make sure we succeed as a state.

So on behalf of our 300 member companies, with annual global revenue exceeding \$1.6 trillion, we stand with our governor to make this policy priority a reality.

Now it is my pleasure to introduce the president and CEO of CALSTART, Mr. John Boesel. (Applause)

MR. BOESEL:

Thank you, Carl. My name is John Boesel and I'm the president and CEO of CALSTART, an organization that serves as the catalyst of the clean transportation technology industry. We have over 120 member companies that are developing and manufacturing a wide array of clean transportation technologies, vehicles and low-carbon fuels.

In addition to our healthy membership base here in California, we work with companies across the United States as well as some in Europe and in Asia. In our meetings with these companies regarding California we hear two points often repeated:

- First, California is leading the United States in terms of climate, energy and air quality policy and for that we really have the Governor to thank.
- Second, California will be the leading deployment state, it will be the earliest and biggest market for clean transportation technologies.

The question is, will California benefit economically and become the leader in terms of job creation and a hub of clean transportation technology businesses? The cost of doing business in California tends to be high, in large part because this is a very desirable place to live and we have done a good job of protecting our environment. We don't want to change that.

What we do want to address are unnecessary or unusual obstacles or burdens for 21st century economy companies seeking to locate or expand in California. California is one of only a handful of states that currently have a sales tax on the purchase of manufacturing equipment. The other two states are Wyoming and South Dakota. Given the budget deficit, I can appreciate why the state legislature would not want to eliminate this sales tax for all manufacturers. However, given California's leading role in combating air pollution and global warming, it makes sense for the Governor and the legislature to act now to eliminate this tax for clean energy and clean tech companies.

We have spoken to our members and last year we did a report. We identified 200 companies, clean transportation technology companies in California alone. And we have spoken to them and we have heard that removing this economic penalty for doing business in California would have a definite impact on their decision making process when they decide whether to expand in state or move to another state or even another country.

CALSTART looks forward to working with the Governor and the legislature on this policy and others that will make the state a leading hub for the clean transportation technologies industry. Thank you. (Applause)

Now let me introduce Brian Sager, the founder and chief technology officer for Nanosolar. (Applause)

MR. SAGER:

Thank you, John. Thank you for being here today and thank you, Governor Schwarzenegger, for your support.

Nanosolar is building out one of the world's largest solar cell production facilities in San Jose. Our technology enables the world's most inexpensive solar panels. In San Jose we print electronic semiconductor ink onto rolls of metal foil. We employ hundreds of highly skilled and highly trained people and we are rapidly growing. An installation of our panels results in thousands of downstream jobs, jobs which cannot be outsourced as these panels are deployed in solar power plants.

Installed in utility scale, free field solar power plants, Nanosolar panels enable power production that is competitive today, without government subsidies, with fossil fuel energy sources such as coal but with a vastly reduced carbon footprint. For every 500 megawatts of Nanosolar panel production, more than 10 million tons of CO2 are avoided each year, which is equivalent to 2 million cars being taken off the road every year.

We support California in reducing greenhouse gases, making our air cleaner and providing both inexpensive renewable energy and skilled jobs for a green economy. However, there is a constant competition for companies such as ours to leave California, to manufacture in lower-cost regions such as China and Southeastern Asia. Our state should be manufacturing products using these technologies here in California, to bring us the benefit of well-paying jobs. Now is the best time, especially because of our fragile economy, to invest in programs that spur innovation and allow companies to scale manufacturing in our state. We cannot afford to lose companies and jobs to other states and countries.

With the implementation of programs like AB 1111 and manufacturing equipment sales tax exemptions, clean technology companies such as Nanosolar will be able to stay in California, produce these innovative products and grow our economy. We stand ready to work and support the Governor's efforts to bring skilled manufacturing jobs to California. Thank you. (Applause)

I'd like to now introduce Mayor Ronit Bryant. (Applause)

MAYOR BRYANT:

Thank you. On behalf of the Mountain View City Council I welcome you to the city. Governor Schwarzenegger, we are honored to have you here today and honored also to have here the folks from Cobalt Biofuels, members of the Chamber of Commerce, local and regional business leaders and guests.

We in Mountain View are delighted to have the opportunity to highlight renewable energy and clean technology companies and projects in our city. Our aim in Mountain View is to attract and foster companies that focus on creating jobs and services for our city of nearly 75,000 residents and we see high-tech, clean and green-tech companies as a critical component of our success and of the future vitality of our region and the state.

Our support for innovative companies like Cobalt Biofuels is based on some of Mountain View's core priorities, including making continuing progress on our environmental sustainability, fostering and enhancing our economic development and enhancing our residents' quality of life. We are pleased and proud that Cobalt Biofuels calls Mountain View home. We wish you every success and make sure you grow in Mountain View.

Governor, thank you for visiting Mountain View and thank you for supporting this technology and promoting job creation throughout the state. And now the Governor will do a Q & A. Thank you. (Applause)

GOVERNOR SCHWARZENEGGER:

Thank you very much. Thank you. Thank you. I just want to bring out Vickie Bradshaw, our Secretary of Labor, because she can explain a little bit of where that money comes from, the \$500 million, how it's going to be reimbursed and also about the importance of this job creation and how we came up with this plan. Please.

SECRETARY BRADSHAW:

Thank you. (Applause) One of the very important parts of the Governor's Jobs Initiative is a \$500 million program that provides customized training for employers so that they can hire the people they need, train them to start jobs, in what we hope will be an incentive to begin again going into the hiring market. So that is customized training for those employers. If those employers hire an unemployed individual, the program will pay them \$3,000 after they have that unemployed person on the payroll for nine months. So we believe that this creates a significant incentive. It reimburses the employer the equivalent of what that employer would pay in state taxes for a year for a new employee.

The money is not general fund money; it does not come out of the state's general fund. It is a loan from the State Disability Insurance Fund, which has a significant surplus. There is enough money to pay for the claims in that program plus the loan and we have a method for repaying the loan.

So we believe that this is the time now to provide an incentive to employers to go out and begin hiring again. We have thousands of very talented people who are looking to go back into the job market and we're encouraging employers to take that step. (Applause)

QUESTIONS/ANSWERS:

GOVERNOR: Thank you. Any additional questions about that? Very nice, I like that. We said it all. (Laughter) Amazing.

So thank you very much, all of you, for being here today. And like I said, the important thing for us is jobs, jobs, jobs and to stimulate the economy again. So this is our priority now. And I will be working with Democrats and Republicans and with our congressional delegation.

I will be going to Washington next week to also make sure that we get the necessary help from the federal government, not a bailout but to get our fair share of moneys that the federal government owes us, those billions of dollars that they owe us. And so we want to work with our bipartisan congressional delegation to that money, for all of us to work together, because we all are on the same side of the fence. It's not them versus us. We all are Californians and we ought to fight in Washington for that extra few billion dollars.

So with that I say thank you very much. And I continue wishing Cobalt great success so that they expand, because if you just think about one thing, if they are successful -- and let's assume that we turn all and switch around from our fossil fuel, from our gasoline to their biofuel -- we would literally be able to reduce greenhouse gases by 30 percent in the whole world. So this just shows you what kind of power this company has, so this is why we have to do everything we can to make them explode and again make California a leader in a particular area.

So thank you very much. Thank you all. (Applause)

QUESTION: Another subject --

GOVERNOR: Yes?

QUESTION: Can I get your reaction to efforts in the Assembly to legalize and regulate the sale of marijuana?

GOVERNOR: Well, they have a discussion and I think that I have said that many times, that all of those things ought to be discussed, because one ought to hear the pros and the cons of everything. And I'm all for that, even though I have to say that I believe in the current law and to make it illegal, the sale of marijuana, except under the circumstances with medical marijuana and so on. But they will come up with a good decision, I'm absolutely convinced of that. Yes?

QUESTION: What's your view of the Prop 8 trial now going on in San Francisco?

GOVERNOR: Proposition 8? Well, I think that, you know, it's good to have that trial and to really make sure that they're going to come up with the right decision. I think that's the important thing. And I think it's good that there is this debate and that they are involved. And, you know, I think we want to resolve that once and for all.

Thanks very much. Thank you. (Applause)