Green Index a Green Light for California Economy?

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A new study from the privately funded think tank Next 10 will be released today, making the case for an economic revival based on giving the state and the nation a "green" overhaul. The study includes the latest reading in Next 10's California Green Innovation Index, begun a year ago.

Next 10 is essentially using California as a case study, showing that you can have it both ways; growing and greening at the same time (the same argument advanced by President Obama and Al Gore, among others), and that other states can choose to follow California's lead. According to the report, California's "energy productivity" is 68% higher than the nation as a whole. Next 10 defines energy productivity as the total economic growth produced per unit of energy.

Much of the story is told in one especially interesting graph (p. 14 of the report), which shows diverging trend lines for greenhouse gas (GHG) emissions and GDP (gross domestic product, by which they really mean gross state product). The graph shows that since 1990, GHG emissions, measured per capita, have dropped, despite a fairly steady rise in GDP.

Next 10 interprets that divergence to mean that emissions need not be linked to prosperity. By extension, they're also saying that prosperity and energy efficiency do go hand-in-hand. Next 10's economists argue that a good chunk of those economic gains came from energy savings, as the state became more efficient.

There are some flashing yellow lights in the report. For instance, while Californians have been able to reduce the number of vehicle miles traveled (VMT) per capita, total miles keep rising with the growing population. Reducing vehicle miles is one of the most effective (and challenging) ways of reducing GHG emissions. The newly passed anti-sprawl legislation (SB-375) aims to reverse–or at least slow–this trend.

Loaded to the gunwales with wonky goodies, the report is more a rear-view mirror than a predictive tool. When I reminded Next 10's lead economist Doug Henton of the old investment caveat, "Past performance is not an indicator of future returns," he said he sees no reason to think that California's energy productivity curve is topping out, i.e. reaching that "point of diminishing returns" that they teach you in Econ 101. He cites a record $3.3 billion in venture capital for related technologies last year.