

## Tesla's Model X: Sleek, Climate-Friendly and Made in California

Tesla is blazing a trail for electric vehicles, but its sky-high prices are still a barrier

On February 8<sup>th</sup>, Tesla Motors CEO, Elon Musk, **unveiled** the company's latest electric car: The **Model X**. Probably the sleekest and sexiest SUV you've ever seen, and also the priciest. But what's most remarkable — beyond the falcon wings — is that the car will be manufactured here in the Golden State, at the former NUMMI plant in Fremont.

Why did Tesla choose to locate its headquarters and manufacturing in the high-priced San Francisco Bay Area? Was it linked to the state's ambitious **clean energy targets** and policies? The **new rules** approved last month by the California Air Resources Board require automakers to produce 1.4 million zero-emission cars for the California market by 2025, and are part of the aggressive goal of reducing the state's emissions 80% by 2050.

Tesla spokesperson Khobi Brooklyn eschewed policy explanations and told me, "We wanted to build our cars in California, not only creating jobs in the U.S., but also California specifically." She cited Silicon Valley as "an incredibly rich pool of talent" and said that purchasing an existing car manufacturing facility saved money and time in preparing for car production. I've no doubt the California sales tax rebates on capital equipment purchasing (**estimated at \$20 Million**) helped too.

California's **Governor Jerry Brown attended** the Model X unveiling, and basked in the Tesla limelight. He was obviously delighted to be part of some good news from the Golden State for a change. "We can work our way out of our mess with creativity, openness and the kind of spirit that's willing to take risks," he said to the rowdy audience of Tesla groupies.

### Clean Energy, Really?

Two big advantages of electric vehicles, often touted by such green groupies is their cleanness and the efficiency of the electric motor: 88% compared to the 20-25% range for a traditional gas powered engines. But if the electricity for EV's is coming from the grid and the grid energy is "dirty" (i.e. fueled by coal fired power stations) then why is it better for the environment?

Elon Musk addressed the question at last week's launch and asserted that driving an electric car in California and drawing power from the grid produces only a *quarter* of the CO2 emissions of a gasoline car. This is thanks in large part to California's adherence to ambitious **renewable energy standards**, which require 33% of our energy to come from clean renewable sources by 2020. So electric car owners in California can drive with a wee bit of the green-goodness factor.

But before we Californians pat ourselves on the backs, think of Vermont, where almost 100% of energy from the grid is renewable. Driving your EV on grid electricity in the Green Mountain State produces almost zero emissions. So let's save the backslapping for now. We've some way to go.

Except, of course, for California drivers who install home solar panels and use solar to power their electric cars. You might see their green halos glow if you look closely next time you're on Highway 280.

### Government Funding

But what of Tesla's future in the **post Solyndra era**? In 2009, Tesla received a **\$465 million loan** facility through the U.S. Department of Energy's **Advanced Technology Vehicles Manufacturing program**. Tesla's Khobi Brooklyn confirmed that to date, Tesla has used less than half of this credit line and said the company is on track to begin repaying the loan at the end of this year when production and deliveries ramp up.

Tesla Model S sedans are expected to begin rolling off the Fremont Factory's production lines this summer, and the Model X begins production in late 2013 with deliveries early 2014.

"California has a manufacturing plant of today but it's also a plant of the future," enthused Governor Brown.

### National Context

**Laurie Yoler**, Managing Director at GrowthPoint Technology Partners and an advisor to Tesla, pointed out that Governor Brown's endorsement of Tesla is important at a time when many in Washington D.C. are questioning energy efficiency investment. "The enthusiasm shown for the Tesla Model X confirms that consumers are eager for new vehicles that are beautiful, high performance and energy efficient," she added.



Tesla Motors

Production on Tesla's Model X begins in 2013.



Tesla Motors

Tesla CEO Elon Musk says his long-term plan is to build a Tesla with mass appeal for a lower price.

Tesla has certainly shattered the **golf cart stigma** and is blazing the trail for electric vehicles by proving they can be sexier and more powerful than rival European cars, but its sky-high prices dwarf its tiny sales volume. Model S reservations total 8,000 and Model X has received 500 reservations in the week since its unveiling. Obviously, it's still very much a niche product. Yet Elon Musk's long-term plan includes a new generation Tesla priced more moderately and targeting higher volumes.

"The world desperately needs sustainable transport," Musk said at the Model X unveiling last week. "If we don't solve this problem this century, we are fracked."

The **green groupies** may love the Model X, but the world is still waiting for the Tesla X factor: a mass market Tesla.

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