Asia's astonishing rebound
Clean energy in the Midwest

Greening the rustbelt

In the shadow of the climate bill, the industrial Midwest begins to get ready

Xunlight Corporation, a small manufacturer of solar panels, sits on a quiet street in Toledo. It has a president, about 100 employees on its payroll—and a lot of bigwig visitors. In October 2008 Sarah Palin, then the Republican vice-presidential candidate, used Xunlight as the setting for a speech on energy policy. Other guests have included Ohio’s governor, two senators and a congresswoman. And no wonder: the firm provided evidence to support a seductive hope, that the green economy can help to revitalize the suffering rustbelt.

As the battle over a cap-and-trade bill continues in Congress, the industrial Midwest finds itself playing an awkward role. The climate bill offers two big opportunities, to reduce global warming and boost the green economy in the process. And nowhere are green jobs more loudly promoted than in the rustbelt. On August 5th Barack Obama and Joe Biden, his vice-president, travelled to Indiana and Michigan, two ailing swing states, to announce new grants to develop electric cars. But hopes for those new green jobs are matched by fears that traditional ones will be lost. With the Senate due to debate a cap-and-trade bill next month, the rustbelt and its politicians are at the heart of the battle.

The industrial Midwest has long been in need of a renaissance. Its factories have been losing jobs for decades, since long before the recession hit. Michigan, home to America’s biggest carmakers, had a 15.2% unemployment rate in June, compared with a national average of 9.5%.

Green investment presents new hope. The University of Massachusetts, Amherst, and the Centre for American Progress, a think-tank, estimated in June that the federal stimulus package and a climate bill would spur about $250 billion in spending on clean energy each year for the next decade. That spending, in turn, would create an estimated 2.5m jobs, from academic researchers to factory workers making wind turbines. “This is an opportunity for American ingenuity to renew the manufacturing base,” argues Phyllis Cuttino of the Environmntal Group at the Pew Charitable Trusts.

There are already signs of activity. The Great Lakes Wind Network, based in Ohio, helps local firms sell goods to the wind business. Toledo remains one of the best examples of a town moving from the old economy to a newer one. It has been a hub for the glass manufacturing since the 19th century. Thanks to innovations in solar technology at the University of Toledo, it is now home to a cluster of firms such as Xunlight. State grants continue to help the university hatch companies. The Regional Growth Partnership, a local business group, provides venture capital.

In Michigan despair has bred particularly bold action. In the past five years Jennifer Granholm, the Democratic governor, has dangled more than $1 billion to attract alternative-energy firms, with about $700m in tax credits to develop electric-car batteries. Impressively, Michigan had the third-highest number of clean-tech patents from 1999 to 2008, behind only California and New York, reckons Pew. That number may rise. Last year Michigan passed a requirement for power companies to boost efficiency, along with an order that renewable sources account for 10% of the state’s electricity by 2015. Investments from the federal stimulus will help too. In the shutdown on August 5th, Michigan won more grants for electric cars than any other state.

Nevertheless, the clean-energy economy remains small. Though green jobs are increasing in number, they accounted for only 0.6% of jobs in Ohio in 2007, according to Pew. The shares in Michigan and Indiana were even smaller, at 0.4% and 0.3% respectively. Manufacturing, for all its troubles, is a behemoth in comparison, accounting for 14% of employment in Ohio, 15% in Michigan and 18% in Indiana in 2007. And it is a dirty giant, dependent on cheap coal. The Midwest emits an outsized share of carbon, according to a report from the Chicago Council on Global Affairs. Indiana is one of the worst offenders, spewing out 4% of America’s carbon emissions in 2007 though it is home to only 2% of its population.

The fear is that a cap-and-trade bill may expand a promising new sector but devastate a struggling, larger one. Mitch Daniels, the Republican governor of Indiana, has worked hard to maintain his state’s manufacturing base. A price on carbon, he argues, would threaten it.

The version of cap-and-trade passed in June by the House was meant to appease such critics. It includes help for manufacturers eager to retool for new industries. Allowances would be given away, not auctioned. And at the urging of a congressman from Michigan, the bill would, from 2020, tax imports from countries that do not restrict emissions. But some Democrats are still wary. Three of Indiana’s five House Democrats voted against the bill.

Now a tough battle looms in the Senate. A new report from the Energy Information...
Drowning in it

What bigger estimates of America’s reserves could mean

ROBERT HEFNER, a natural-gas magnate, feels vindicated. As the head of CHK Exploration in Oklahoma, he has been telling people for years that America abounds in gas. But as recently as two years ago the conventional wisdom was that America was running out of the stuff, and investors began considering building new terminals to import the liquefied form from abroad. All that has now changed. “I used to say we were awash in gas,” says Mr Hefner. “Now I say we’re drowning in it.”

The big news is that in June the Potential Gas Committee, a semi-official body, revised its estimates of America’s gas reserves, raising them 39% above its assessment in 2006. The biggest part of that boost comes from higher estimates of gas in shale formations, which were formerly difficult and expensive to reach. Advances in horizontal drilling and the hydraulic fracturing of rock have made it possible to get previously inaccessible gas out. Shale gas, according to the committee, accounts for two-thirds of America’s technically recoverable reserves, enough to supply the country for 90 years.

This gas may not flow right away. Although oil prices have shot back up since last year’s collapse, natural-gas prices, which fell with oil’s, have stayed low. The average price in July of $3.50 per thousand cubic feet would be equivalent to roughly $21 per barrel of oil. (West Texas Intermediate oil now fetches $70.) This is too low to sustain much exploration and drilling. But as the economy recovers, and with it demand for gas, prices should bounce back.

More surprisingly, in a season of bitter political argument support for natural gas has become bipartisan. It has hooked those on the right who like the fact that it is abundant in America (and in friendly Canada). But it has also attracted the centre-left. John Podesta, the head of the Centre for American Progress, a think-tank, and Tim Wirth, a former Democratic senator, came out strongly in favour of gas in a paper published this week.

Gas emits about half as much carbon dioxide as coal per unit of energy produced. Putting a price on carbon dioxide, as the cap-and-trade bill that passed the House in June would do, would make coal more expensive to burn and gas relatively cheaper. This could cut carbon emissions in two ways.

The biggest source of greenhouse-gas emissions is electricity generation. Coal, the cheapest fuel, currently produces America’s base-load power; coal-fired plants run constantly to meet basic demand, with natural gas switched on when demand is higher. But gas could play a bigger role: there is a third more gas-powered than coal-fired capacity available. A reasonable carbon price would mean that gas plants would be switched on more often to replace coal. And in the longer run carbon prices will rise under Waxman-Markey, as the cap-and-trade bill that passed the House in June would do, would make coal more expensive to burn and gas relatively cheaper. This could cut carbon emissions in two ways.

The politics of health reform

Friend or foe?

It is not wise for Democrats to bash health insurers

I AM not a Nazi, I’m not being paid to be here, and I’m not un-American!” The elderly man who uttered those angry words on the afternoon of August 10th was clearly boiling over. He and several hundred others had gathered in a poorly ventilated hall in North Arlington, New Jersey, to berate Steven Rothman, their Democratic congressman, for advocating health reform. The patriotic constituent echoed the sentiments of the angry crowd by declaring that the Democrats’ health plan was something his children and grandchildren simply “can’t afford”.

With Congress in recess this month, many members are holding such town hall meetings—and meeting a similar reaction. Across the country politicians are being confronted with the outrageous allegation that Democratic reforms will create a rationing bureaucracy of “death panels” to decide who lives and who dies.

What explains all this? The initial Democratic instinct was to see a dark plot masterminded by conservatives. Mr Rothman recalls encountering such open hostility at public meetings only twice before—during Bill Clinton’s impeachment saga and over the Iraq war—but the difference this time, he insists, is that the complainers are well-organised. A White House official claims that the protests were the result of a “concerted viral whisper campaign”. Nancy Pelosi, the speaker of