Morgan Stanley: Tesla Not as Green as You Think

Morgan Stanley, the international banking behemoth, released the results of its study on the best "green" companies in which to invest. This is based, said the bank, on the assumptions that some, perhaps many, investors who have drunk the "green Kool-Aid" want to invest in ways to "save" the environment and fight against "climate change." Missing from the top of their list is perhaps the most visible "green" automobile company: Tesla, Inc., formerly known as Tesla Motors.

After comparing the savings in carbon dioxide (CO2) achieved by Tesla's high-mileage electric vehicles to all the "secondary and tertiary" factors involved in their manufacture, Morgan Stanley said, "The carbon emissions generated by the electricity required … are greater than those saved by cutting out direct vehicle emissions." That Tesla wasn't nearer to the top, said the bank, was one of the "biggest surprises" of its study.

Part of the problem, said the report, is that that electricity is largely generated by burning fossil fuels. With "72% [of electricity produced] in the U.S. [by fossil fuels], the CO2 emissions from this electricity generation are still material," said the bank.

This echoed conclusions made back in May by British "greenhouse gas" expert Mike Berners-Lee, author of *How Bad are Bananas?: The Carbon Footprint of Everything*. Said Berners-Lee: "If you are a relatively low-mileage person, you should stick with your gas-powered car." Enviros at left-liberal *Salon* magazine interviewed Berners-Lee, who admitted that "green" isn't just measured by tail-pipe emissions, but by everything involved in building a Tesla:

> Important factors in determining carbon emissions include the weight of the vehicle, driving habits and the source of the electricity that charges your car … it can be a much greener choice to keep the perfectly functional car you have, rather than go out and buy a new [green] one.

That CO2 calculation which adds up everything involved a building a Tesla, or any other vehicle, is called "embodied carbon": all the energy required to build the car from the ground up. That includes the extraction and processing of raw materials and shipping the parts and the vehicles themselves across oceans in oil- or coal-fired tankers. It also includes the cost of building the massive plants to assemble them.

For instance, Tesla received approval last December from the city of Fremont, California, to expand its present facility there by 4.6 million square feet, which includes 12 "growth zones" around the site. This expansion includes the steel, concrete, and plastic not only in its construction but in the production lines and computers that drive the robots. It also must encompass the tax credits that Fremont's politicians no doubt granted to keep Tesla from building its plant elsewhere.

There's another cost involved as well — one that neither Berners-Lee nor Morgan Stanley considered: the $7,500 tax credit provided to purchasers of the Tesla which is paid for by taxpayers. These "incentives" distort the market and tilt it in favor of Tesla against its competitors. Without those incentives, credits, and political enticements, Tesla (which, by the way has turned a profit in just two quarters in its 13-year existence) might just be a footnote in history.

In other words, one can never know whether Tesla's electric car venture would ever pay off, either economically or environmentally. Once the government (state, local, or federal) gets involved in picking winners, it distorts the market because it is also automatically involved in punishing losers (those who don't get the credits). So one cannot ever be sure whether the free market, driven by consumer choice, would reward Tesla with profitability or even allow its continued existence.

Just how great is that market distortion, thanks to governmental favoritism and media hype? Consider this: Tesla's market capitalization (its stock price multiplied by shares outstanding) is now greater than that of General Motors! This despite the fact that Tesla lost $773 million in 2016 while GM earned a profit of more than $9 billion. This despite the fact that Tesla sold only 76,000 cars last year while GM sold 10 million.

Tesla just may be "building a better mousetrap" with its lithium-ion battery-powered automobiles. It's too bad that the free market won't be allowed to make that decision on its own.

Photo of Tesla Motors headquarters in Palo Alto, Calif.: Wikimedia Commons

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