



# Which State Will Get Tesla's Gargantuan Battery Factory?



Bob Sorokanich

4/01/14 4:54pm • Filed to: TESLA ▾



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Electric car maker Tesla wants a cheaper, faster way to produce the lithium ion batteries that power its cars, and the company has settled on a gargantuan solution: the so-called "gigafactory" that, if all goes as planned, will crank out more lithium ion batteries than the entire world produced in 2013.

The location for the factory, set to go online in 2017 and produce enough batteries for half a million cars by 2020, has been narrowed down to four states. Which one is the front runner? Our pals at Jalopnik took a look at the pros and cons of each state vying for the world's largest battery factory, below.



## Why This State Is The Most Likely To Get Tesla's Gigafactory

Elon Musk is a man who needs some batteries. A lot of batteries. So many batteries, in fact, that...

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# Why This State Is The Most Likely To Get Tesla's Gigafactory



Patrick George

4/01/14 2:00pm • Filed to: TESLA MOTORS ▾



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Elon Musk is a man who needs some batteries. A lot of batteries. So many batteries, in fact, that he's prepared to build a \$5 billion Gigafactory capable of turning out enough batteries to fit in 500,000 cars per year by 2020. The big

question is this: Who's gonna get it?



### Tesla Wants Gigafactory To Supply Batteries For 500,000 Cars By 2020

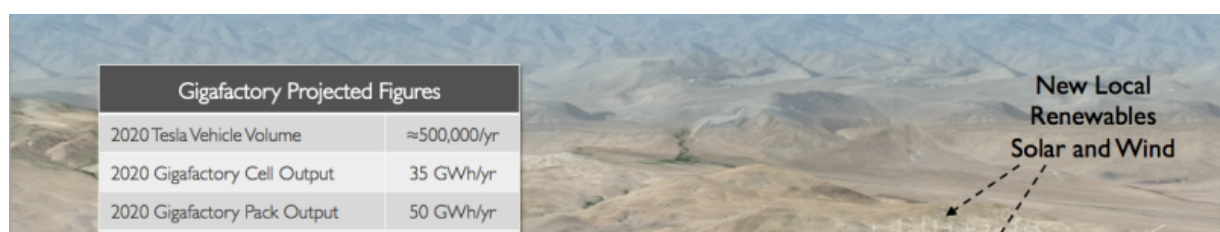
More details about Tesla's Gigafactory were released today, continuing what's been a good ...

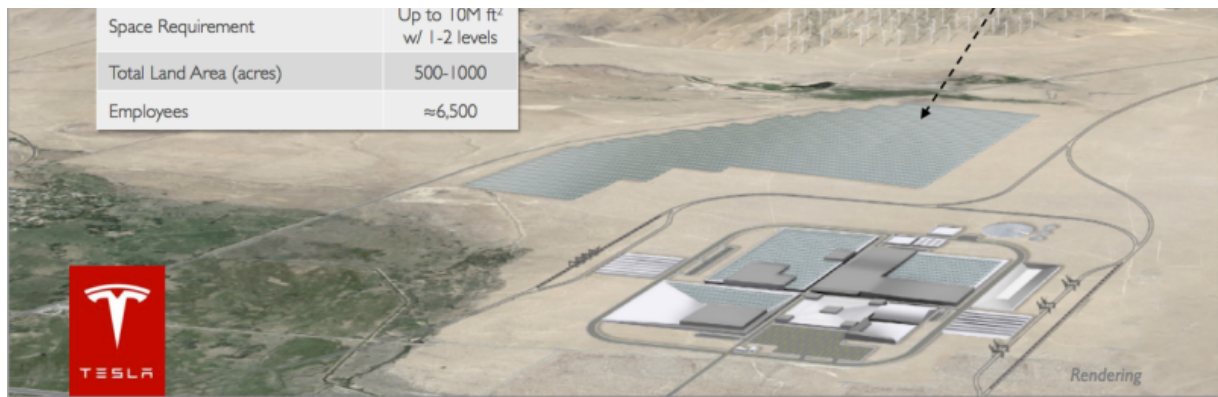
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Landing Tesla's planned Gigafactory, set to go online in 2017, would be a victory any state governor would love to have on his or her scorecard. It's said to be a 100 to 200 acre plant that could create 6,500 new jobs and potentially generate millions of dollars in tax revenue.

It would also be at the forefront of the ongoing electric car revolution and, if it is successful, quite likely a key component in American manufacturing. (It's also possible that the Gigafactory could produce lithium ion batteries for other carmakers or non-automotive applications.) In other words, this will be a big deal not only for Tesla but for the state that gets it.

Tesla officials have said that four finalist states are currently in the running for the plant: Texas, Arizona, New Mexico and Nevada. All four are fighting hard to get it, but we have no idea when the nascent automaker will announce the lucky winner.





A variety of factors will enter into Tesla's decision. First, you have your obvious ones for any such project like land availability, taxes, and tax incentives. Second, Musk has said he wants to "heavily power" the plant with renewable energy sources like wind and solar power, so each state's green grid will play a crucial role in the decision, as will access to a rail line.

Third, there's Tesla's ongoing war with car dealers over their direct-to-customer car sales model, which is limited or banned outright by law in several states. While Tesla officials have not come out and directly said that the way a state views direct car sales will be figure into their decision about the Gigafactory, it's hard to imagine them going with a state where a customer can't even buy a Model S at one of their storefronts, but has to order one over the Internet instead thanks to outdated, protectionist laws.



### How To Track Tesla's State-By-State Fight With Car Dealers

Yesterday, New Jersey moved to ban the direct non-third party sales of automobiles, which puts a...

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With all of this in mind, let's take a look at the four finalists (and one presumably likely contender that didn't make the cut) and see what their chances are of scoring the Gigafactory.

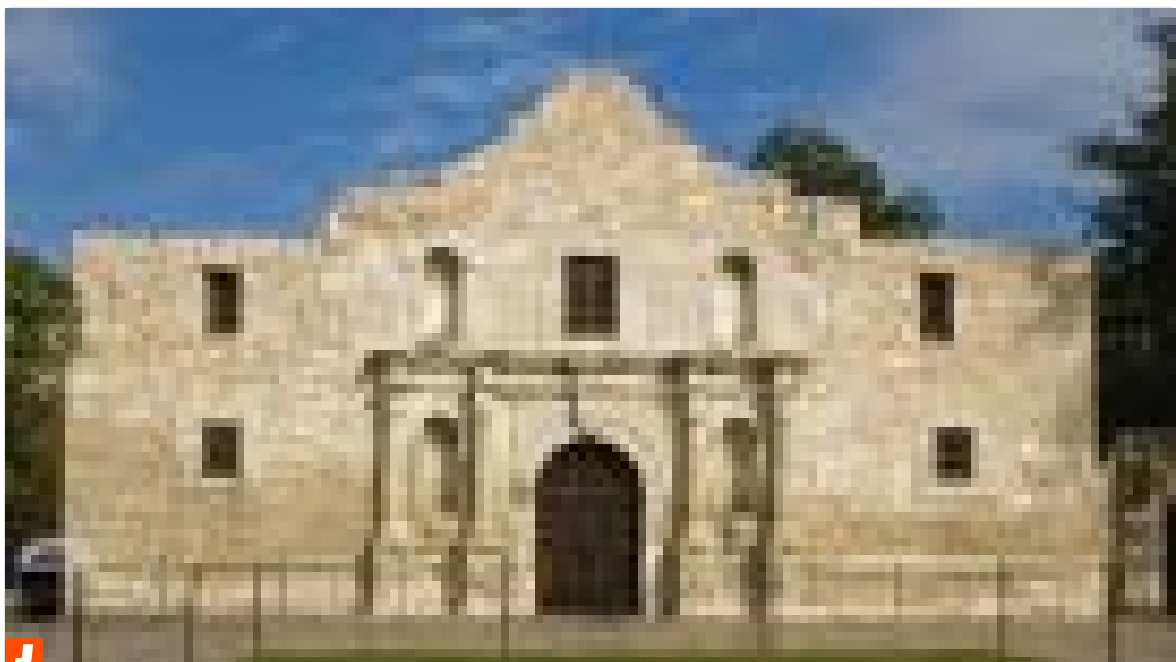
## Texas

**Why it could work:** The Lone Star State has a reputation for having a pro-business environment and generally low taxes, and thanks in part to oil and gas and a diverse economy, it has weathered the recession better than a lot of states.

As *Forbes'* Micki Maynard pointed out earlier this year, Texas is the most powerful manufacturing state among the four competing for the Gigafactory; manufacturing accounts for \$211 billion in GDP and eight percent of the state's employment. Texas also has no corporate income tax, but rather a gross receipt tax of about 0.5 percent to 1 percent depending on the company and industry. Texas also produces the largest amount of wind power in the U.S., so Musk's renewable goal likely wouldn't be a problem.

Musk is also no stranger to Texas with the state being home to a SpaceX test facility. There's also the fact that auto manufacturing has a big presence there already; GM has a truck plant in Arlington, and Toyota builds trucks in San Antonio.

A secret meeting in San Antonio between Tesla and city and county officials last week fueled speculation that the Gigafactory could land somewhere in that area. Remember that Toyota is an investor in Tesla already, and their partnership has resulted in the latest generation RAV4 EV. That relationship and Toyota's existing manufacturing base could make a compelling case for San Antonio. Lubbock, in West Texas, has been touted as another possible site.



## Tesla Execs Had Secret Meeting In San Antonio For Gigafactory

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**Why Tesla might want to go elsewhere:** Texas has been historically very hostile to Tesla's direct car sales model. While Gov. Rick Perry, himself a large recipient of car dealer campaign contributions, has recently said it's time to revisit the laws that bar direct sales, the car dealers are adamantly against that.



## Texas Gov. Rick Perry: It's Time To Revisit Anti-Tesla Dealer Laws

As Tesla Motors eyes the Lone Star State for its \$5 billion, 6,500 job Gigafactory battery plant,...

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One major Texas car dealer, Red McCombs, recently got Biblical on the issue, saying the state's franchise laws are "as sacred as Paul's letter to the Corinthians." You can't even make this stuff up.

Even if Perry was amenable to signing a bill that would change the laws to be more pro-Tesla in hopes of luring the Gigafactory, the Texas Legislature only meets on odd-numbered years, and Perry said he has no plans to call a special session to address the issue.

**Arizona**

**Why it could work:** Arizona has been making a big, hard push for the Gigafactory, by some accounts the biggest of all the final four contenders. Currently, a bill is moving through the state legislature that would grant Tesla a special exemption to franchise laws; it would allow manufacturers to sell directly in the state if they solely sell electric vehicles and have at least one service center in the state.

Like Texas, direct sales are currently banned in Arizona. Lawmakers have said it's not a quid-pro-quo agreement to get the Gigafactory, but it's pretty clear this would help things along.

No newcomer to offering incentives for tech companies, Arizona just gave Apple a pretty sweet deal that included \$10 million for building improvements and to help with job recruitment for a new sapphire glass factory there. Arizona also leads the other contenders in solar power.

Local officials in Arizona have also worked hard to woo Tesla, penning a letter to Musk that stresses the state's pro-business, pro-tech atmosphere.

**Why Tesla might want to go elsewhere:** Again, you have the car dealers, who are against any changes to the franchise laws and likely to use their considerable influence (read:money) to lobby against the bill.

Arizona may also be on Musk's shit list at the moment. As the *Phoenix Business Journal* notes, the state's public service company had a bitter fight with solar power company SolarCity — a company where Musk serves as chairman and his cousin Lyndon Rive is CEO — over net metering last year. It's possible that battle could cost the state the Gigafactory.

## **New Mexico**

**Why it could work:** Micki Maynard called New Mexico "the wild card in Tesla's Gigafactory deliberations." It has been working to position itself as a high-tech, forward thinking state that would be suitable for the plant.

The state's Republican governor said in recent weeks that her office is evaluating whether or not to call a special legislative session that could address an economic incentive package to lure the Gigafactory there, although Democratic leaders said they'd only go for it if they knew New Mexico was Tesla's choice. (Direct car sales are also banned in New Mexico, but the state has no Tesla storefronts at the moment.)



Two recent changes to New Mexico's tax code and electricity regulations could also prove appealing for the project. It also has rail and solar power.

**Why Tesla might want to go elsewhere:** New Mexico got snubbed for Tesla Model S production in 2008 after then-Gov. Bill Richardson announced the company would break ground on an assembly plant there. Tesla ended up making the car in California at the former Toyota-GM NUMMI plant.

It's also possible that New Mexico, or at least part of it, is already out of the running. A story published last night in the El Paso Times quotes a regional economic development official as saying Tesla "did not select any communities in southern New Mexico and West Texas." Albuquerque is in the northern part of the state, so perhaps it remains in the game.

## Nevada

**Why it could work:** Right now, Nevada seems to be the odds-on favorite for the Gigafactory, if you'll pardon the obvious gambling pun. The Reno area is said to be the leading contender to acquire the plant according to business and political leaders in neighboring, presumably super-jealous Arizona. Nevada is said to be the only site of the four finalists where zoning and permits are being discussed.



### The Biggest Little City Could Land Tesla's Great Big Gigafactory

While states like Texas and Arizona try and entice Tesla to build the major battery-producing...

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There are a lot of reasons Nevada may be ideal for Tesla's needs, according to the *Phoenix Business Journal*. One possible location is a former Air Force base with 3,000 acres available for development and rail linked to the not-too-far-away Tesla plant in California.

It's also got the renewable side covered, according to *Autoblog Green*. The state has ample solar and wind power and space to put it near the plant, and it's the location of the only brine pool lithium production in the U.S. Also, Tesla has a storefront in Nevada, but its direct sales have yet to be challenged by any lawsuits or legislation.

**Why Tesla might want to go elsewhere:** Why would they want to? Barring any surprise decisions, Nevada could be the perfect Goldilocks state that checks all of Tesla's boxes. We'll see what they offer in terms of incentives, but at the moment Nevada makes the strongest case for the plant.

## California

**So why didn't California get the Gigafactory?** Yeah, what happened to California? Tesla is headquartered in Palo Alto and they make cars in Fremont. What's the deal?

The *Los Angeles Times* says that California was eliminated fairly early on as a contender for the plant for unspecified reasons, but it was most likely due to the high cost of land, higher wages, and perhaps a general desire by Tesla to widen their geographic footprint. It seems to make sense at first, but economic factors are pushing them elsewhere.

It's important to note that the Gigafactory isn't quite a done deal yet. Current Tesla partner Panasonic seems reluctant to commit to the factory, calling it a risky investment. There's also questions of whether Tesla can acquire the raw materials it needs for the project and many other hurdles.

Regardless, these four states will be fighting hard for the chance to make the plant work. It will be very interesting to see where it ends up.