

THE WALL STREET JOURNAL.



Tesla to Choose Nevada for Battery Factory

State Likely Offered Large Incentives to Lure \$5 Billion Plant

By

Mike Ramsey

Updated Sept. 3, 2014 5:51 p.m. ET

[Tesla Motors](#) Inc. [TSLA +0.84%](#) is expected to choose a site in Nevada for its proposed up to \$5 billion battery factory and could disclose the move on Thursday, according to a person familiar with the electric auto maker's plans.

State officials scheduled a news conference at 4 p.m. Thursday in Carson City to announce the plant. Nevada likely offered Tesla one of the largest incentive packages in the history of the U.S. auto industry to lure the factory to a state with relatively little presence in automotive manufacturing.

A spokesperson for Nevada's state economic development office declined to immediately comment on Tesla's decision. Gov. Brian Sandoval hinted at the announcement on Twitter: "Stay tuned for a major announcement tomorrow at 4PM related to economic development in #NV."

By choosing Nevada, Tesla would get a site close to its Fremont, Calif., assembly plant and ready access to lithium, a key raw material for the batteries. The maker of a \$71,000 and up electric sedan has said it plans to employ up to 6,500 workers and to produce 35 gigawatt hours of battery cells annually in its so-called gigafactory. The plant eventually is expected to produce more than all of the current lithium-ion battery production in the world today.

"I think the single most important factor is the [site's] low-cost green power," said John Boyd, principal of The Boyd Company, a site selection firm that had forecast Nevada as the likely

winner. Reno offers Tesla choices among solar, wind and geothermal energy for the plant. He also said Nevada's lack of corporate and personal income taxes aided its selection.

The company needs to start construction soon to complete the factory by 2017, when it plans to roll out its third vehicle, an electric car called the Model III with a 200-mile range that it aims to sell starting at \$35,000.

Tesla earlier this year began developing a site near Reno, Nev., though the company had said it was possible other states could still compete for the project. Lawmakers in California had rushed to put together an incentive package before the end of its 2014 legislative session, but couldn't get a commitment from Tesla before the end of its session last month.

Texas also mounted a strong effort to land the plant. Texas Gov. [Rick Perry](#) made at least one visit to California to court Tesla. In the end, the proximity of Nevada, in addition to the site work already completed were factors that tipped the scales in Nevada's favor.



Elon Musk, CEO of Tesla Motors, shown above in Beijing in April, has said the electric car maker needs a battery factory running in time to support production of its Model III, due out in 2017. Reuters

Tesla Chief Executive Officer [Elon Musk](#) aims to reduce battery costs by 30% through the scale of the plant and by bringing in production partners who would provide the base anode, cathode and electrolyte material processing into the giant facility. The plant could be up to 10 million square feet in size, the company has said, bigger than any single factory in the U.S.

Tesla has a commitment from [Panasonic Corp. 6752.TO -0.65%](#) , which now supplies batteries for the company's Model S, to help run the battery cell making operations and underwrite some of the costs. In a July call with investors, Mr. Musk said he expected Panasonic to contribute between 30% and 40% of the up to \$5 billion total cost of the factory.

However, battery industry researchers and executives have been skeptical of Tesla's plan for the factory. On Wednesday, Lux Research, issued a report estimating that the gigafactory would have 57% overcapacity in 2020 as sales of Tesla vehicles will be less than half of what the company is forecasting.

Tesla has said it would need a location with between 500 acres and 1,000 acres for its complex. Some of that land would be used for solar and wind-powered electricity generation.

Since early this year, Tesla has been scouting sites in Arizona, California, Nevada, New Mexico and Texas, and had set off a competition between the states to come up with incentive packages that could total 10% of the project cost—or about \$500 million.