



It Takes A Crisis

The title – “It Takes A Crisis” – is my answer to a question I’ve heard over and over again for the last 30 years from others in the energy industry – “What is it going to take for people to invest in sustainable energy?” While there have always been a small number of proactive people out there, most people are too overwhelmed just making it from day to day to take the time to prepare for the inevitable - higher energy costs - before it’s a done deal.

Last year’s record oil prices were a “crisis warning sign” that many people took seriously enough to take action. But once the worldwide economic recession hit, demand dropped, prices dropped, and so did most people’s interest in taking action. Sadly, what most people are lacking right now is the realization that, with any sort of worldwide economic recovery, energy prices are going to zoom right back up again. This is common knowledge in the oil and gas industry. There have been many stories in the news accordingly on this but, until there’s a crisis, most people will wait until the eleventh hour to take action.

In the meantime, I’m hoping to convince a few “fence sitters” out there that it’s in their best interests to invest in their own energy and economic sustainability (and security) today, before the next crisis hits. Interest rates are at an all time low. Yes, it’s tough for many people to borrow money and it takes a while to get approved, but money is cheap right now. Many of my past articles published in the Union have pointed out that, by borrowing at today’s low rates and choosing the right energy alternatives, you can start sending the bank less money than you’re currently sending to your energy supplier. That’s what we call “net positive cash flow”. I’ve also shown that, as time proceeds, the amount you’re sending the bank (with a fixed rate loan) stays constant while your utility bill savings keep increasing at around 6-8% (because that’s what utility bills have done, historically, and they’re poised to start rising even faster).

Another factor the fence sitters should be concerned about is inflation. Right now the cost of alternative energy and efficiency is at an all time low. When (not if) prices start to inflate, things will cost more. And instead of a bunch of hungry, discount-wielding contractors out there, energy suppliers will be in very high demand and it’ll be a sellers market again.

If you’ve been reading my columns for a while you know that another way I like to characterize the economic benefits of sustainable energy is in terms of “return on investment”. The returns for sustainable energy investments range from 8% to hundreds of percent in some cases. Even solar electric systems, typically one of the “higher hanging fruits on the energy investment tree”, are showing returns in the 10-20% range. Still, many people cling hopelessly to stocks that are worth around half (or less) what they were a year or two ago, thinking that – eventually – they will rise back to their pre-recession value or higher.

I’ve heard varying accounts of the “historical stock market returns” an investor can expect to earn, but

most agree they've averaged around 10% over the last 30 years. And that's before taxes, by the way. Since most investment income is taxable at a rate of 25-30%, the net return from stocks has really only been around 7 to 8%. My personal point of view on stocks is that, because we've all heard stories of huge returns, people think they'll be one of the lucky ones. It reminds me of gambling. And lately I've been hearing even more sad stories from folks that have lost big with their stock investments. But instead of getting out while they're ahead and investing in a high return sustainable energy opportunity they want to wait, hoping their investment will make a dramatic rebound.

Seeing the writing on the wall regarding future energy costs has driven me in exactly the opposite direction. I've not only made sustainable energy my career for the last 30 years, but I've invested pretty much every dollar I could free up over the years in it as well. My returns just keep going up, not down. In contrast, the one managed stock portfolio I invested \$500 in ten years ago – on the advice of a local “seasoned pro” – is now worth less than \$50.

There are an ever-growing number of economists now saying that we just can't expect to see the sort of returns on conventional investments that we've seen in the past. A major factor in economic growth in the past was the inexpensive, plentiful fuel that powered that growth. While the planet has plenty of energy left to burn, the energy resources that remain are going to become increasingly more and more expensive - like never before - due simply to the law of supply and demand.

So, if you're the sort of person that lives by adages like “an ounce of prevention is worth a pound of cure” or the old Boy Scout adages “be prepared” and “leave a place as clean - or cleaner - than you found it” you'd be well advised to get off the fence. If you're tired of watching your investments lose value, invest in sustainable energy and watch your returns go higher and higher. It's your call. Nevada County is blessed with an abundance of sustainable energy providers. Call one today and ask them to show you how an investment in your own energy and economic security today will benefit you and your family from this point forward!



Ray Darby is President of Sustainable Energy Group Inc., a Grass Valley company offering energy efficiency and solar services for residential and commercial buildings, from comparing the alternatives through installation and servicing of energy systems of all types. You can reach him at 530-273-4422, via email RayDarby@SustainableEnergyGroup.com, or visit their web site at www.SustainableEnergyGroup.com.