



Dear Representative,

Several associates of our organization have recently attended **Governor Crist's Florida Summit on Global Climate Change** and learned about a very effective renewable energy policy that we believe can make Florida a leader in clean renewable energy. In Europe this policy is called **feed-in tariffs (FITs)** and it has proven to be the world's most effective renewable energy legislation. Here in North America it is being called **Renewable Energy Payments (REPs)**.

REPs are incentives for individuals and businesses to become producers of renewable energy. They direct utility companies to provide access to the grid for anyone or any group producing renewable energy (RE), and to buy all the RE available at established prices per kilowatt hour for a set period of time, usually 15 to 20 years. The prices vary according to the type of technology, the size of the system, and its location. The increased costs to the utilities is paid for by adjustments to all their customers' electricity bills. In Germany, this has meant an increase of around three dollars a month for average home owners—about the cost of a loaf of bread. A board is established that meets periodically to review the policy and adjust the rates for new contracts.

Adopting a REPs policy in Florida will encourage our energy entrepreneurship, expand our green energy marketplace, create jobs, and stimulate our economy—all this while significantly reducing pollution and greenhouse gas emissions. We urge you to develop and pass legislation like this in our state. You can learn more by visiting www.AllianceForRenewableEnergy.org.

Please let me know what action you will take to bring REPs to Florida and make us a leader in the renewable energy revolution.

Sincerely,



What are REPs?

Since 1991, Germany, Spain, Denmark, and over 40 other nations, states, and provinces, have pioneered legislation that have proven to promote the fastest, cheapest, and widest growth of renewable energy. In many of these countries these policies are called "Feed-In Tariffs" (FITs). Producers of renewable energy are paid a premium rate or "tariff" for each kilowatt of energy they "feed into" the grid. Here in North America FITs are being called, "Renewable Energy Payments" (REPs). The name has changed but the fundamental principles of these policies stay the same:

- Everyone who produces renewable energy is guaranteed that they can connect to the power grid and sell their energy to their utility company. There is no limit to the amount of renewable energy that can be sold to utility companies.
- Utility companies sign 15-20 year contracts with all their renewable energy producers. All contracts are transparent and open for inspection.
- The contracts include long-term agreed upon prices that the utility companies will pay for the energy they buy. The prices are set high enough to be an incentive to new producers and for existing producers to expand their production capacities. Prices vary according to the source of the energy (i.e, sun, wind, water, bio-mass, etc.) and the size of the energy-producing installation.
- The utility companies can recoup their increased costs of paying higher prices for renewable energy by spreading these costs among all their customers.
- An Independent Review Board is established by the government that periodically sets the prices and terms for new contracts.

How do REPs work?

Renewable Energy Payments are the mechanisms or instruments at the heart of specific state, provincial or national renewable energy policies. REPs are incentives for homeowners, farmers, businesses, etc., to become producers of renewable energy, or to increase their production of renewable energy. As such, they increase our overall production and use of renewable energy, and decrease our consumption and burning of fossil fuels.

Feed-In Tariffs

A REGULATORY TOOL

BY LOIS BARBER



Lois Barber
PHOTO BY STUART HAYWARD

■ ■ ■ **ALL ACROSS THE COUNTRY, WHETHER**
 ■ ■ ■ motivated by a concern for the environment, energy security, job creation, the economy – or just a desire to make a buck – Americans are looking outside our borders to see what’s been fueling the global growth in renewable energy. They are finding that one type of legislation, in Europe and elsewhere called a feed-in tariff (FIT), has proven to be the world’s most effective renewable energy policy.

FIT legislation is in place in more than 40 countries, states, and provinces throughout the world. The laws differ in details, but share essential principles. They require utility companies to provide access to the grid for anyone or any group producing renewable energy, and to buy all the renewable energy available at established prices per kilowatt hour for a set period of time, usually 15 to 20 years. The prices vary according to the type of technology, the size of the system and its location. The increased costs to the utilities are paid for by adjustments to all their customers’ electricity bills. In Germany, this has meant an increase of about \$3 a month for average homeowners – about the cost of a loaf of bread. A board is established that meets periodically to review the policy and adjust the rates for new contracts.

Germany introduced this type of legislation in 1991 and it has made them the world’s leading producer

of renewable energy technology, creating close to a quarter-of-a-million jobs. Renewable energy jobs increased 40 percent between 2004 and 2006 alone. Germany now has 1.3 million solar panels in place. It reached its target of producing 12.5 percent of its energy from renewable sources in 2007 – three years

ahead of schedule. Now it is up to 14 percent. The country has already reduced its CO₂ emissions by 18.5 percent compared with 1990 levels, and is on track to meet its target of a 40 percent reduction by 2020. Dr. Hermann Scheer, a member of the German Parliament who played a key role in writing and enacting the law, points out how FIT laws allow everyone – people from all walks of life – to profit from producing renewable energy. “New players have stepped into the market who now no longer have to ask the established energy providers for permission to access the grid. Only in this way can a breakthrough for renewable energy take place,” Scheer said. One-third of the solar energy produced in Germany is from farmers putting solar systems on their barn roofs.

FIT legislation has also made Denmark and Spain global leaders in renewable energy. Together, wind turbines in Denmark, Spain and Germany represent 53 percent of the total wind-generating capacity worldwide.

Until recently, this idea that has proved successful in creating jobs and reducing CO₂ emissions, while handsomely rewarding investors. But it has received little attention here in North America. Only Ontario has a basic FIT system in place. But now, eager to bring these benefits to their own states and provinces, legislators are lining up to get similar bills introduced. In September, Michigan Rep. Kathleen Law introduced House Bill 5218, the Michigan Renewable Energy Sources Act. It includes all renewable energy sources without discrimination: hydro, wind, solar, geothermal, biomass and biogas; sets 20-year contracts; and gives “reasonable returns” on investment. The rates for solar energy range from 50 cents to 71 cents per kilowatt hour depending on the type of technology and the size of the system. For wind, the rates range from 2.5 to 10.5 cents per kilowatt hour. Everyone who wants to participate must be connected to the grid within two months of their request. Any increase in price will be shared among all utility rate payers. Promoters of the legislation point out that over time any short-term rate increases will eventually turn into long-term savings as utilities switch from buying increasingly expensive fossil fuels to clean,

free fuel like Michigan's wind and sunshine. Savings will also come from not having to deal with the health and environmental damages stemming from coal or nuclear plants. An FIT law could help Michigan meet its renewable portfolio standard goal, currently being set in the state legislature, and replace lost jobs with hundreds of thousands of new ones in the renewables industry.

In 2008, following Michigan's lead, legislators in Illinois, Rhode Island and Minnesota introduced similar bills. California, while it doesn't have a statewide FIT law, is expanding its use of FIT policies in specific areas. Washington state already has a limited FIT law that pays up to 54 cents per kilowatt-hour for a seven-year period for electricity produced from solar technology manufactured in the state. To help turn the state's famous sunshine into energy, the Florida Solar Energy Industries Association is recommending to state policymakers that they implement feed-in tariffs.

In addition to this burst of activity at the state level, Rep. Jay Inslee (D-Wash.) is working on federal legislation that he unveiled in March 2008 at the Washington International Renewable Energy Conference (WIREC). Inslee's bill will give incentives to American consumers and businesses that generate electricity from renewable sources, and will guarantee producers of clean energy connection to the grid and predetermined rates for their power. His bill is expected to be introduced this spring.

Rep. Bill Delahunt (D-Mass.), the prime co-sponsor of Inslee's bill, said, "As the former chairman of the Congressional Study Group on Germany, it is clear to me that the single most important step we can take in order to promote a rapid growth of renewable energy in the United States is to adopt our own version of the German feed-in-tariff. In my travels to Germany I have been amazed at how this very simple policy has created an explosion of grassroots interest in the use of solar and wind energy. It is time to bring this renewable energy revolution to the United States."

Investors prefer feed-in tariffs over other policies because they create long-term market certainty and a stable investment environment. In a full-page ad in the issue of *Politico* that was distributed at WIREC, Goldman Sachs listed feed-in tariffs at the top of its list of "How to power alternative energy." With 15- to 20-year contracts and set prices for the energy produced, investors are eager to loan money for renewable energy projects. Predictability is essential, whether it is a family deciding to invest in buying solar panels for their roof, or a major bank deciding to invest in a megawatt installation. "With market certainty, innovators and inventors will turn out to compete in the market for renewable electricity," Inslee said.

For businesses, FIT laws have a lot to offer. For one, they are easy for customers to understand. When you generate power from a renewable energy system and feed it into the grid, the utility company sends you a check! This makes the business of selling, financing and installing systems much easier for the local professionals who no longer have to calculate the customer's expense through complicated payback charts based upon state grants, REC certificate values or federal income tax breaks. FIT policies, when done right, are simple and transparent. They do not need complicated government subsidies, paybacks or tax incentives. Unlike other renewable programs, FITs also provide a fair and open market mechanism so that customers of all sizes have an equal opportunity to participate. They recognize that every system owner deserves a "reasonable return" that corresponds to the size and technology of their system. This incorporates the market factors affecting the price of these technologies and ensures that ratepayers are not rewarding large system owners to the detriment of small ones. From an industry-building perspective, this is the best possible scenario for widespread adoption of green technologies.

Bringing FITs to North America will also strengthen our own industries and keep investment in renewable technologies at home – or even draw it from overseas. In the 1980s, the U.S. had an 80 percent share of the solar panel market; today, it has 25 percent. Denmark, Germany and Spain have taken over, thanks to their FITs. Most of the top wind turbine and solar manufacturers are now based elsewhere. By enacting FITs in North America, where we have enormous renewable resources and great innovators, we can again take the lead with regard to technology development and manufacturing.

Creating incentives for the rapid and widespread production of renewable energy is key to accelerating our shift from fossil fuels to renewable energy. Worldwide, FIT policies with their long-term stability and profit incentives for all green energy producers, have proven to be more effective at stimulating renewable energy investment and development than other types of legislation – especially short-term policies linked to the whims of policymakers that generate uncertainty.

FIT legislation encourages entrepreneurship, expands the green energy marketplace, creates jobs and wealth, and stimulates the economy – all the while significantly reducing pollution and greenhouse gas emissions. Legislators, businesses, investors and citizens are working together to bring these proven and successful policies to North America.

Lois Barber is co-founder and executive director of EarthAction and energy advisor to the World Future Council.

Senate Failure May Bring New Energy Opportunity

Governor says guaranteed fair payments for distributed green power is
'next phase'

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Ten days ago, when the Michigan Senate passed its own energy policy reform bill, SB 213, in a late-night legislative jam session just before their summer break, it was clear that the big winners were Michigan's big utilities. Consumers Power and DTE were instrumental in making sure the Senate passed an energy bill that was a step backward for efforts to bring clean energy and energy efficiency to Michigan.

However, the failure to create meaningful energy legislation for the 21st century left the door open to a new approach for bringing Michigan out of its backwater status among clean-energy states. House Bill 5218, introduced by Rep. Kathleen Law (D-Warren), is a jobs and commerce bill that will allow individuals, school districts, public organizations, and small businesses to become independent, economically viable energy producers.

Entitled the **Renewable Energy Sources Act**, HB 5218 would require that electric utilities purchase – and pay a fair price for - electricity generated by anyone in the state who uses an approved clean-energy generating system. It has earned the support of Michigan Governor Jennifer M. Granholm, who endorsed Rep. Law's proposal in a speech at the Great Lakes Renewable Energy Fair in late June.

The representative is pushing her proposal as a robust jobs-builder. "The Renewable Energy Sources Act will offer the largest jobs and commerce boost this state has seen since the Model T," Rep. Law said.

The bill would require the Michigan Public Services Commission to establish buyback rates that guarantee renewable energy investors a guaranteed long term income from their investment in green electrical generation equipment. That income guarantee would facilitate favorable financing terms for renewable energy systems—from large-scale wind farms to backyard solar panels.

"The language of Ms. Law's bill has already been studied in other states for inclusion in existing energy legislation," according to Steve Smiley, a noted authority on wind power and other green generation technologies. Mr. Smiley, who helped build the state's first utility-scale wind turbines, added that similar legislation is already before Congress, where, he said, Rep. Jay Inslee (D-Washington) introduced legislation on June 26.

“Michigan has a second chance to create a vibrant new economy by adapting HB 5218,” Mr. Smiley concluded.

HB 5218 does not involve tax breaks or government subsidies; rather, it establishes a market-based business model that increases economic activity and employment by offering strong incentives for investment in renewable energy generation. Each clean energy technology will be offered a fair price for purposes of market creation. A program that results in a healthy mix of technologies, in many locations, will be the most sustainable model for Michigan to ride into the future with.

Tom Karas of the Michigan Energy Alternatives Project sees HB 5218 as a counterbalance to the bill recently passed by the Michigan Senate.

“SB 213 was a huge gift to our big utilities,” Mr. Karas said. “It eliminated customer choice in order to guarantee those companies enough income to pay for big, new, increasingly expensive coal plants to provide expensive energy that the state does not need. It also did almost nothing to encourage the development of green power sources.”

“HB 5218, in contrast, offers Michigan’s small business community a fresh opportunity to get in on the proven benefits of clean energy production as a path to economic prosperity,” he said.

HB 5218 offers different purchase rates for different electricity generating systems as a way to build a mix of renewable energy manufacturers and installation technicians in the state. The prototype of the program has its roots in <?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarts" />Germany, where a similar law stimulated tremendous growth in renewable energy production. The Germans for example, have captured 50% of the world’s solar electric market, in a cloudy country, with this policy. One German state with half the population of Michigan, achieved 25% wind power capacity in five years.

Ontario, Canada, also saw an overwhelming response from small-scale energy investors when that province launched its own trial program.

The larger question, according to Mr. Smiley and Mr. Karas, is not whether the program would work. Rather, they say, it is whether Michigan politicians can resist the state’s big utilities, which, so far, have defeated all attempts by progressive Michigan legislators to reform the state’s electric utility laws and foster more jobs-rich green energy and energy efficiency investments.

Many observers feel that if the Granholm Administration is to have a meaningful legacy after six years in office, it may well hinge on its success with energy legislation. Enacting new laws that keep energy costs low, stimulates significant job growth by encouraging sizeable investments in clean energy and energy efficiency, and cut the emissions that are warming Michigan’s winters and lowering Great Lakes levels would be an historic accomplishment.

That, they say, would secure a positive page in Michigan history for Michigan Governor Jennifer M. Granholm.