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Renewable Energy in Florida Part 2: Achieving Green Florida Energy

by John Burges, Energy Investor

In my first post, I explained how investing in green energy will stimulate Florida's economy. Here, I'd like to offer a brief blueprint for how we might do that. A camel is a horse designed by committee, and the current complex mess of state and federal renewable subsidies that have seen the Florida state incentive funds for solar run out mid year need to be replaced with a comprehensive but simple and equitable set of policies.

Gov. Charlie Crist wants Florida to produce 20 percent of its power through renewable energy. We are now at 2 percent. Many pundits talk about greener power generation without specifics of what can be implemented quickly. The following solutions were tested and refined in Germany from 1999 on, and more recently in 18 other European countries and Ontario. These ideas have had an incredible impact in energizing the renewable industry at a local level with production now owned by the "doctors and dentists." The policies engender competition for renewable production in the sub 100MW scale where utilities are loathe to participate unless forced to by PUCs

In recent weeks Illinois, Minnesota, Michigan and Rhode Island have introduced state legislation to implement them. The California Energy Commission recommended that if the state wanted to reach its 33 percent renewables goal, it should immediately "implement [these policies] for all renewables" and specifically cited solar.

Policies can be changed in Florida that will create new renewable energy competition. In Europe, these policies are known as "feed-in tariffs," in the United States they are called "renewable production-based incentives," or PBIs.

The blueprint for these policies is as follows:

- Level the playing field between utility-owned fossil plants and renewables. This will help entice new investors (you and me). Utilities have little interest in developing small-scale local renewable projects, because it is not cost effective for them to do.

- Prioritize renewables' access to the transmission grid; aim for connections within 30 to 60 days.

- Allow households and commercial developers to generate renewable power and sell it into the electricity grid under a fixed price for 20 years. This will allow banks to finance much of the cost in the same way that utilities now finance the bulk of their investments through long-term loans. If minimal cash is required upfront, then many individuals and companies can participate in building renewable power production. One sees it clearly in solar: If a household could bank finance 90 percent of the cost (as is the norm in Germany today), install solar, sell the electricity and make a profit, who wouldn't consider doing it?

- Have differentiated pricing (or PBIs) for different types of green power and different sizes of production; allow for a reasonable profit to be made to stimulate investment.

Allow cost recovery by the utilities in the normal fashion, so they are not disadvantaged.

As more renewables are built, economies of scale kick in. This reduces costs so that in future years the renewables prices for new entrants can be dropped. This has occurred in Germany where they are decreasing the incentive payments to solar by 10% in 2008.

A flood of new investment will flow into Florida; with that investment will come local construction and manufacturing jobs that cannot be outsourced.

Sound radical? No, it's the same basic system that Florida utilities operate under. If they build a coal or nuclear plant, they get to sell the power for a long-term price guaranteed to make a reasonable profit, and the costs are passed through to end customers. If fuel prices escalate, the utilities get to pass this increased cost to you, too. In the same way that not all fossil fuels cost the same and ratepayers cannot object to having a balance of higher cost peaking gas plants versus lower cost baseload generation, so it should be with renewables.

This can be done with no cost to the federal or state taxpayer and no state subsidy. In fact the state sets the rules and then gets out of the way to allow the private sector to act. If the policies are successful in stimulating the rapid deployment of renewables then the costs will rise over time and be distributed throughout the utility rate base.

The green energy race is now on. If bureaucratic inertia delays change, renewable energy will still come to Florida eventually. But when it does, we will just be swapping importing oil and gas for importing solar panels from California or China.

If you agree with the plan I have set out today please contact me and see how you can assist in getting them implemented quickly in Florida.