North American Renewable Tariffs
Challenges & Opportunities
by
Paul Gipe

Tehachapi Pass, California
Paul Gipe, wind-works.org
North Americans Have Been Dabbling Around the Edges of Renewable Energy Policy

Little Recognition of the Crisis Facing the Continent

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Complacency is Not a Policy

Inaction is Not an Option

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Challenges in North America

• Piecemeal Approach (CA)
  Too Slow for Scale Needed
• Existing Policy Momentum
  RPS for Wind, Subsidies for Solar
• Ignorance
  Germany Uses RPS, Right?
• Ideological
  Market-Non Market Debate
  Cheap Energy Contract

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Challenges in North America

• PGC/SBC Funds Insufficient
  Must Keep Going to the Till
  Gaming, Over Subscription

• Should Avoid Using Tax Credits
  Unreliable & Distorts Market

• Tariffs Must be Flexible
  With or Without Federal Subsidies

• Renewables Must be Rate Based
  Assured Stream of Payments
  History of Cost-Based Pricing

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Challenges in North America

• Philosophical: Cost vs Value
  Cost of Generation
  Value of Generation

• Sticker Shock
  Imbedded Costs of Heritage Resources
  NG: Future Pricing
  Nuclear: Cost Estimates & Reality
  Mega Wind Projects @ Windy Sites

• Unfamiliarity

• Tax Subsidies Distort Market

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Challenges in North America

- Preferance for Bidding or Tendering
  Short-Term Savings vs Long-Term Costs
- Preferance for “Trading”

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San Gorgonio Pass, California
Bidding, Tendering, & RFPs

- Cumbersome
  Maximizes Bureaucracy Not Renewables
- Complex
  125 Pages Just to Qualify for Bid in Ontario
- Costly
  Must Have Large Projects to Cover Fees
- Non-Transparent
- Few or No Manufacturers
Bidding, Tendering, & RFPs

- Separate Tranches Possible
- British NFFO
  
  Landfill Gas Very Successful
  Small Commercial Wind Unsuccessful
  Big Wind Mostly Unsuccessful
Bidding, Tendering, & RFPs

- Britain
  - Gaming
  - <1/2 Projects Built
  - Led to Highest Wind Sites
  - Massive Backlash from Anti-Wind Groups

- France: <50% Built

- Ireland: Gaming, ESB Daughter Co.

- USA: Only Big Players Need Apply

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Renewable Portfolio Standards with Tradable RECs

• Obligation to Purchase
  With Penalties
  Penalty Effectively Sets Price of RECs

• REC or ROCs for Obligation
  Tradable
  Prevents Targets From Being Reached

• Target or Standard
  Target Must Be Continually Increased or Value of REC Falls

• RECs Market Monopolies

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Both Bidding & RPS Can Deliver Renewable Capacity (Mostly Wind)

But Results are Spotty (~50%)

Bidding is Slowest & Most Cumbersome

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Market Mechanism Status

- **Quotas (RPS & Tendering)**
  Typically Anglophone Countries
  Timid Targets Seldom Met

- **Premium Prices (Renewable Tariffs)**
  Typically Non-Anglophone Countries
  Aggressive Targets
Evolution of Market Mechanisms

- ARTs Developing Momentum
- RPS/Quota May Have Peaked

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Montjoyer, France
Willingness to Pay Premium . . . Unthinkable?

- PEI Gasoline Price Regulation
- Local Content (Quebec)
- Why?
  Social Economy-Jobs
  Rural Development

Halifax Herald, May 20, 2005
Justification for Premium Prices

- **Strategic (Security) Value**
  - Not Subject to Embargo, Less Subject to Sabotage

- **Enables**
  - Distributed Generation (Greater Resiliency)
  - Community Ownership (Spreads the Wealth)

- **Long-term Savings**
  - From External Costs Avoided
  - Protection Against Price Volatility
    - More Now--Less Later

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External Costs of Generation

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EU financed international study: ExternE
How Can Utilities Profit from Renewable Tariffs?

- Don’t Lose Customers from Net Metering
- Gain New Generation
- Rate of Return on Transactions?
- Examples: 1990s Conservation Programs

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State & Provincial Action Required

- Can’t Wait for Federal Action
  Limited Federal Role
  Federal Action Could Change Dynamics
  Support Federal Action (Inslee) As Opportunity Arises

- Can’t Rely on Federal Subsidies
  Ottawa & Washington Deadlocked

- Policies Must Be Independent
  Of Federal Subsidies

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State & Provincial Action Required

• Renewable Tariffs
  Must Become Prime Procurement Mechanism
  Not Merely a “Supplementary” Program

Geothermal Plant, Mammoth Hot Springs, California

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Renewables:
When You Look Closely . . .
. . . Worth Every Cent

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