

# North American Renewable Tariffs Challenges & Opportunities by Paul Gipe

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Lackawanna, New York

# **North Americans Have Been Dabbling Around the Edges of Renewable Energy Policy**

## **Little Recognition of the Crisis Facing the Continent**

Paul Gipe, [wind-works.org](http://wind-works.org)

# **Complacency is Not a Policy**

## **Inaction is Not an Option**



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Skibsted Fjord, Denmark

# 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

# 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

# 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**

# Challenges in North America

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



# 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**

# 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**

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

**But Results are Spotty (~50%)**

**Bidding is Slowest & Most  
Cumbersome**

# 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

FRIDAY,  
MAY 20, 2005



**BLOOD DRIVE**  
*Brothers in arms challenge each other to give. / Page B2*

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## Regulation may come with price

Control could mean paying more at pumps, Hamm warns

By **DAVID JACKSON**  
Provincial Reporter

Rural Nova Scotians are willing to pay a little more for gas to keep local service stations in business, Premier John Hamm said Thursday.

The province will soon implement some form of gas price regulation after 14 years of an open market, and Mr. Hamm said this will drive up prices.

Service Nova Scotia Minister Barry Barnet, responsible for the legislation, said Thursday he has several options he plans to present to cabinet within two weeks.

Mr. Barnet introduced the law last spring, but the opposition wouldn't support it because it left all the details up to cabinet.

But after hearing from the retailers at Province House, MIA's from all three parties

# 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**

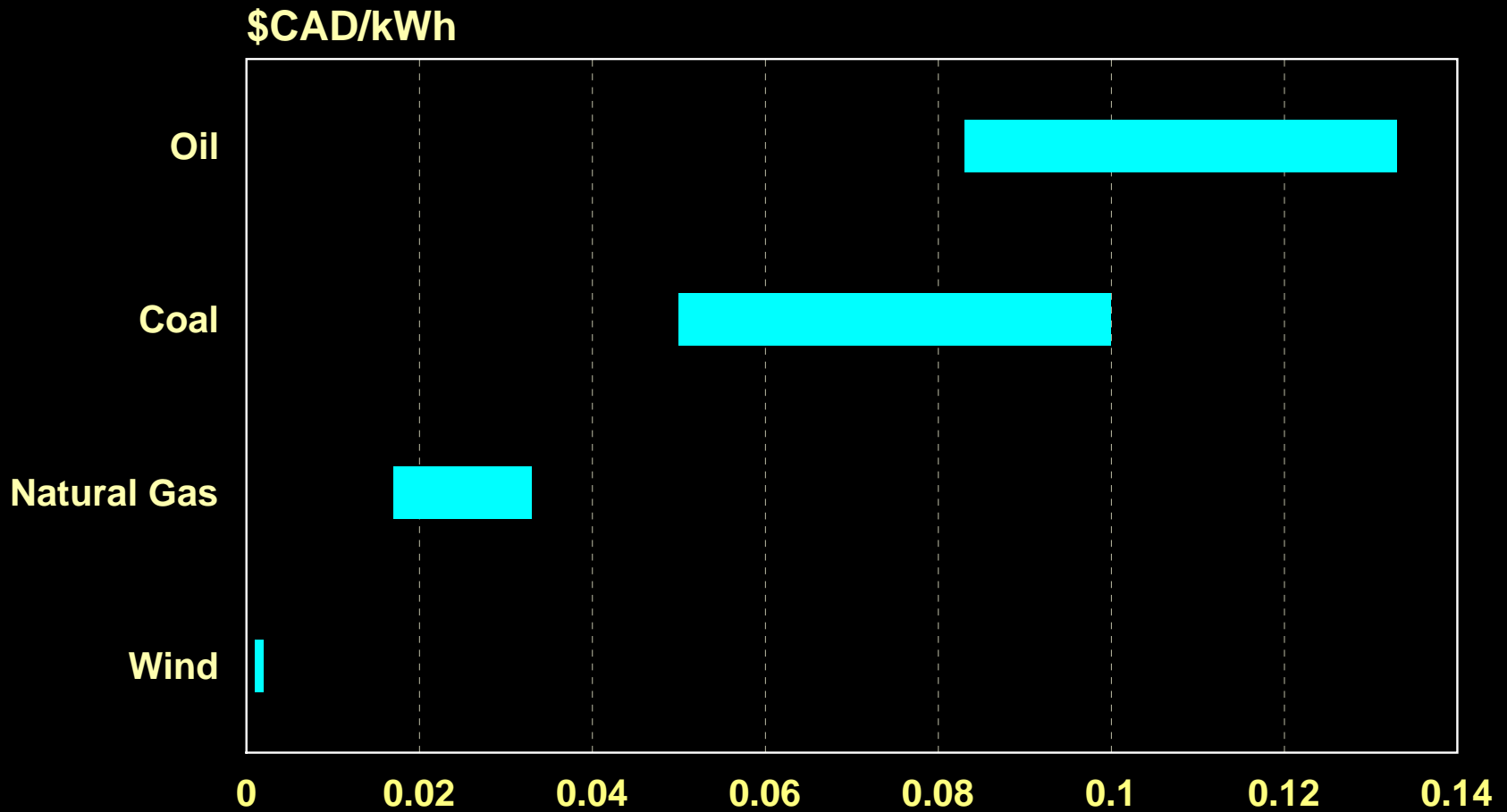
From External Costs Avoided

Protection Against Price Volatility

More Now--Less Later



# External Costs of Generation



# **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**

# 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**

# 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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