

The **GOOD**, the **BAD**, and the **UGLY**: a look at the future of clean energy in Oregon

Oregon has benefited greatly over the past decade from progressive policies that have driven investment in renewable energy and energy efficiency. In addition to federal policies and incentives, key Oregon policies have included the funding for the Energy Trust of Oregon and Clean Energy Works Oregon on energy efficiency, the renewable portfolio standard (RPS), the pilot feed-in tariff for residential and commercial properties (FIT) the utility scale solar requirements for investor-owned utilities, and, above all, the Residential and Business Energy tax credit programs (RETC and BETC, respectively).

As a result, Oregon has benefited in more than \$6 billion invested in these sectors during that time. In addition, Oregon rightly has been named the second best state in the country several years running for policies and investments in the clean energy economy, according to the annual State Clean Energy Index produced by Clean Edge.

Unfortunately, Oregon is now in danger of falling behind other states and relinquishing some of its leadership position. Several factors are at play. During the past few years, the ongoing struggling economy and budget deficits in Salem have resulted in decreasing political leadership at the state and federal levels. Also, Oregon utilities have largely met the requirements under the RPS and solar legislation to integrate more renewable energy, so without expanding those requirements, there will be minimal growth in the short term. These factors have resulted in stagnation and significant job losses in the clean energy sector in Oregon.

The following is my brief assessment of the near-term prospects in clean energy sectors in Oregon:

COMMERCIAL AND UTILITY SCALE RENEWABLE ENERGY PROJECTS RATING: UGLY

Assessment: Other than a few small commercial solar projects using the FIT, I am not aware of a single project currently in the Oregon pipeline that is advancing without holding a BETC preliminary certificate. Once these final BETC projects are completed, there likely will be little developed here in the short term. With a slightly improving economy and state budget, it is time for Oregon legislators and the governor's office to re-establish enough funding support and/or expand renewable energy requirements to enable this sector to move forward again.

There is plenty of evidence that the BETC dollars spent in the past by the state Legislature resulted in a significant net economic gain for the state. The challenge will be finding politically acceptable and sustainable funding levels for the next five to 10 years.

This somber prediction may be tempered by a forthcoming report on the prospects for solar in Oregon soon to be released by the Oregon Solar Energy Industries Association, which will lay out a case for significant utility-scale solar in Oregon over the next 10

years. However, even if there is a new road map for utility-scale solar, there will be a need to expand utility-scale biogas and other technologies, as well as commercial-scale solar projects.

UTILITY-SCALE WIND RATING: BAD

Assessment: With the re-election of President Obama, there at least is a fighting chance for an extension of the production tax credit that is the bedrock for financing utility-scale wind projects in the United States. If it is not extended, we likely will not see any wind projects developed in Oregon in the next few years.

Even if it is extended, we will likely see a much lower scale of wind-energy development in Oregon, as much of the low-hanging fruit has been plucked and there are increasing challenges for siting, interconnecting and transmitting electricity from wind projects. The good news is that these projects no longer need BETC tax credits or other state incentives to be financed and built.

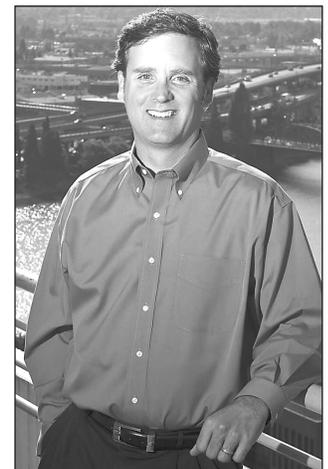
RESIDENTIAL RENEWABLE ENERGY AND ENERGY EFFICIENCY PROJECTS RATING: GOOD

Assessment: This is the one growing part of the renewable energy sector. With continued support of the RETC, two years left on the pilot solar feed-in tariff program and the continued rise of the third-party financing model offered by the likes of Solar City and SunRun, we should see continued growth in the number of homes integrating solar in Oregon. Similarly, with stable funding through the Energy Trust of Oregon and the growth of Clean Energy Works Oregon, there likely will be continued growth in the number of homes per year receiving energy efficiency investments.

The only thing limiting even more aggressive growth is the amount of state or federal investment in the programs.

With the somewhat gloomy prospects for the clean energy sector over the next few years, it is time for the Legislature and the governor's office to work with the sectors and develop new progressive policies – or expand existing ones – to enable the sectors to grow to create jobs and net economic benefit for the Oregon economy, moving the state further toward a truly clean energy economy.

David Van't Hof is a shareholder at Lane Powell, where he focuses his practice in the areas of sustainability, clean technology, renewable energy, green building and carbon regulation. He has many years of experience as a sustainability policy adviser to former Oregon Gov. Ted Kulongoski. Contact Van't Hof at vanthofd@lanepowell.com or 503-778-2112.



DAVID VAN'T HOF