

Will Lawmakers Throw a Lifeline to the Struggling New Jersey Solar Industry?

by William Sullivan on June 26, 2012

New Jersey's once promising solar industry is struggling to stay afloat. The value of solar renewable energy certificates (SRECs)—awarded for each megawatt-hour of electricity generated from a solar energy installation and a central element of solar financing—reached a high of nearly \$700 in 2010, but has fallen to less than \$100 in recent months.

Advocates of solar energy argue that investment in new solar projects will completely dry up in the state without government intervention. Responding to a call for legislative action, the New Jersey Senate Environment and Energy Committee has advanced a bill (S-1925) aimed at stabilizing the state's solar energy market. The legislation, proposed by Sen. Bob Smith and Senate President Steve Sweeney, would increase the amount of solar energy that electric energy suppliers must purchase each year.

“We've become a victim of our own success,” Smith said. “We've had so much solar built in New Jersey that the market for SRECs has crashed.”

Below are some of the other key changes reflected in the bill:

- The bill would cap large grid-supply projects at 10 megawatts, which is intended to prevent these projects from obtaining most of the solar credits available in any year.
- The bill would reduce the Solar Alternative Compliance Payments paid by energy suppliers to more closely reflect market conditions for SRECs, in an effort to prevent rising costs from rising SREC values from being passed on to ratepayers.
- The bill would give priority to projects located on landfills and brownfields, while restricting solar development on farmland-assessed property.
- The bill would allow school districts, counties and municipalities to benefit from a virtual net-metering program, under which these entities could use credits from surplus solar energy produced from one building to pay the electric bills for other public buildings in the community.

Even if the legislation is advanced, many in the solar industry argue that additional measures are still needed. At the same time, businesses planning large projects argue that the new requirements will make it more difficult to get their projects off the ground. Given the importance of this issue, Scarinci Hollenbeck's Renewable Energy and Green Initiatives Practice Group will continue to provide updates as they become available.