

RENEW Issue Brief: Economics of Renewable Energy

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The Renewable Energy Incentives Puzzle

PROBLEM: Incentives for renewable energy systems have been substantially removed from Wisconsin's marketplace. The majority of utility advanced renewable tariffs (ARTs) are fully subscribed and We Energies' \$6 million/year renewable energy development program is now shut down. Moreover, Focus on Energy has removed incentives for renewables from current program offerings, nearly all within the last 12 to 24 months. As one might easily imagine, the market for customer-driven renewable energy systems is contracting without incentives, which are needed to overcome a utility market structure that discounts the value of local, renewable generation. Indeed, it should be noted that traditional sources of energy thrive with their own hidden incentives, which are not accounted for in the comparison of costs comparing renewable energy to traditional energy sources. The outcome is a highly skewed marketplace that favors traditional energy sources and market actors.

POLICY NEED: Components that make up the incentive puzzle can help drive a vibrant renewable energy marketplace. These policies are: 1) performance-based incentives (e.g. ARTs), 2) state income tax incentives (e.g. tax credits for purchasing renewables), 3) sales tax incentives (e.g. sales exemptions for renewables), 4) rebate programs for buying WI manufactured products, 5) loan programs (e.g. utility and State Energy Office), 6) grants for installing renewables (e.g. Focus, utilities and State Energy Office), 7) business tax incentives (e.g. WI PTC) and 8) Wisconsin manufacturing incentives for renewables.

BENEFICIARIES: Residential, agricultural, commercial and industrial energy customers, nonprofit energy users, municipalities, farmers, renewable equipment manufacturers, local installers and contractors.

PROGNOSIS: Each policy option presents its own challenges and opportunities. Indeed, some policy options may require linkages with other policies to ensure success, while others may be better framed not as energy policies, but general business policies. Securing policy changes that require specific new financial outlays for renewable energy may be challenging with the current Legislature, though incentives with a broad implication beyond renewables or that don't require specific new funding may be able to gain more traction. Focus on Energy incentive policies will not require a legislative change per se, but will require an effort on the part of program policy makers and administrators to shift from the current situation.