Debating Renewable Energy Policy in North Carolina

Clean energy policy has been a major topic of debate during the current session of the North Carolina General Assembly. North Carolina, which ranks fourth nationally in installed solar energy generation capacity, has been a leader in supporting renewables through policy. We are the only state between Maryland and Texas to have established a renewable energy portfolio standard (REPS), which legislators enacted in 2007, and we have also offered a 35% tax credit against renewal energy installation costs since 1977. But many legislators now favor altering the renewable energy portfolio standard and dropping the tax credits.

As of this writing, legislators have not rolled back any part of the 2007 REPS standards. That law requires utilities to obtain 6% of their energy from a combination of renewable energy sources and energy efficiency measures in 2015, 10% by 2018, and 12.5% by 2021. Legislators considered a range of possible cutbacks, including capping the renewable energy quota at 6% and establishing a joint legislative committee to study further changes to the portfolio standard. North Carolina legislators did allow North Carolina’s 35% renewable energy installation tax credit to expire on December 31, 2015.
The REPS and installation tax credit debate has centered on a fundamental question: should the state maintain legislative preferences and tax credits that have helped renewable energy expand in North Carolina since 2007?

![Apple's Maiden, N.C. solar farm. (Source: Apple)](image)

Some who object to the REPS and tax credits believe as a rule that governments should not intervene in markets. Such critics acknowledge that the energy utility markets are heavily regulated - Duke Energy is North Carolina’s largest energy supplier in North Carolina - but still believe that the market is the most efficient mechanism for determining any further adjustments to energy generation supply and demand. Some expressly argue that the policies could, in time, put at risk the traditional utility model’s strong record in North Carolina of providing low-cost reliable energy, a key factor upon which the state’s industry and industrial recruitment efforts have so successfully relied for many decades. In addition, critics also argue that the renewables policies impose higher electric bills on consumers and drain funds from the state treasury to cover the tax credits.

Proponents of the REPS and credits also advance many arguments in support of their position. Current energy pricing models, they contend, are inadequate because they fail to consider health and environmental costs imposed on society through the use of fossil fuels. They point out that such fuels have long enjoyed generous government subsidies and are artificially cheap, bolstering their marketplace price advantage. Supporters point to wide consumer and business support for renewable energy use; Duke Energy is on record in support of continuing the REPS, and Apple, Facebook, and Google, all of which have data centers in North Carolina, in early 2013 began advocating for the option to purchase renewable energy directly...
from utilities. Many rural North Carolina counties have actively sought utility-scale solar installations; to cite one example, a Catawba County project has been hailed for having increased the tax base without obliging local government to expand water and sewer infrastructure, build schools, and provide fire and police services. Additionally, among other arguments, proponents assert that the costs of the REPS and tax credits are modest and represent smart public investment.

There seems to be little dispute that the subsidies have been essential to the growth of North Carolina’s renewable energy sector, especially in the absence of any current cost imposed on the carbon content of fossil fuels. Even with huge recent declines in the cost of solar panels, unsubsidized solar power cannot compete on price in most locations and under most conditions with other sources of electricity generation, particularly given the big drop in the price of natural gas. Small-scale rooftop solar is especially expensive. However, if regulators impose a price for carbon emissions, as the final Clean Power Plan from the U.S. Environmental Protection Agency is attempting (see my last newsletter on the Plan), the resulting shift in pricing dynamics would improve the relative cost competitiveness of renewables.

After a period of rapid expansion, solar energy’s future in North Carolina is uncertain, in key part because the subsidies policy debate remains unsettled. Other Southeastern states are closely studying North Carolina’s example; will they attempt to match our record of growth in the renewables sector, and if so, with what if any supportive policies and incentives?

What path will North Carolina pursue toward its energy future? It’s a very active debate. Stay tuned!

[Disclosure: Diane Cherry is a North Carolina Sustainable Energy Association board member. She writes here in her capacity as IEI Environments Policy Manager, presenting views that are hers alone.]
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