

Breathe California • California Solar Energy Association • Californians Against Waste • Center for Energy Efficiency and Renewable Technologies • Center on Race, Poverty & the Environment • Climate Protection Campaign • Community Environmental Council • Earth Day Los Angeles • Environment California • Environmental Defense Fund • GreenVolts • Infinia • Nanosolar Inc. • Sierra Club • Solar Alliance • Western Grid Group

August 18, 2008

Mary Nichols, Chair
California Air Resources Board
1001 I St. P.O. Box 2815
Sacramento, CA 95812

RE: Inclusion of Feed-In Tariff to Implement 33% RPS in Scoping Plan

Chair Nichols:

As many of the undersigned environmental and health organizations have commented, we applaud the draft scoping plan's recommendation for a 33 percent by 2020 Renewables Portfolio Standard (RPS), and continue to urge for its continued support and implementation. We also urge the California Air Resources Board (CARB) to endorse implementation of a feed-in tariff (FIT) for small projects, which would count toward the purchasing utility's RPS goals, and could be modeled on the most successful FIT programs that have achieved renewable energy goals in 17 European Union States, Ontario, and other countries.

Background on Feed-In Tariffs

Global concern over climate change and the reliability of conventional sources of electricity generation such as natural gas and coal have revived discussion of regulatory tools to provide significant incentives for renewable energy resources such as solar, wind, and biomass. The feed-in tariff, also known as an advanced renewable tariff, can complement the competitive procurement in an RPS¹ by establishing a tariff requiring utilities to purchase renewable energy from small generators in their service area at fixed rates per kilowatt-hour (kWh) and requiring standard offer contracts for utility purchase of the generation. A feed-in tariff is not without cost, but many countries have successfully used a feed-in tariff to achieve cost-effective development of renewable energy.

The feed-in tariff has been enacted in several countries, most notably Germany and Canada (Ontario), and a total of 17 of the 25 European Union member States.² Feed-in tariff legislation has been introduced in the United States Congress, California, Hawaii Illinois, Michigan, Minnesota, and Rhode Island. Although capped at 478 MW state-

¹ Cal. Pub. Util. § 399.11 et seq.

² Klein, Held, Ragwitz, Resch, Faber. Evaluation of Different Feed-In Tariff Design Options - Best Practice Paper for the International Feed-In Cooperation. 10 (2006).

wide, the California Public Utilities Commission recently approved a limited feed-in tariff for renewable energy projects up to 1.5 MW at the “market price referent”, pursuant to AB 1969.

To ensure there is no entanglement between a feed-in tariff and the California Solar Initiative, which is proving itself as an effective program for the development of behind-the-meter solar facilities of 1 MW and under, FIT offers for solar facilities should require a dedicated meter, and be targeted for projects up to 20 MW.

Benefits of a Feed-In Tariff

- **Effective Implementation of RPS** – A feed-in tariff is an effective mechanism to achieve a portion of RPS targets, and can greatly assist smaller projects that may face obstacles in the existing renewables bidding transaction process, securing financing, or relying on future renewable energy credit prices. A feed-in tariff establishes terms for long-term contracts for utilities to purchase renewable energy, typically from small customer-generators, at rates that guarantee a feasible or reasonable return for the specific renewable energy source. By establishing a FIT aimed at smaller projects as part of a comprehensive strategy, utilities can acquire numerous smaller projects that will contribute to achieving the RPS requirement. Currently, only 12 percent of California’s electricity is generated by renewable sources, but the RPS mandate is 20 percent by 2010.³ The state’s energy agencies and the Governor have also set a goal of achieving 33 percent renewables by 2020, which is also recommended in the draft scoping plan. In some countries, the FIT is designed to work together with an RPS, by requiring new standard offer contracts only until the point where a jurisdiction achieves the RPS.
- **Overcomes Barriers of Long-Term Security** - In contrast to net metering, feed-in tariffs for renewable energy pay for all generation produced, and pay a tariff independent of the retail price of electricity, which is generally not a sufficient incentive to produce significant development of solar or other small-scale renewables. Feed-in tariffs offer improved financial security for customer-generators through long-term contracts, greater security with grid interconnection, and encourage continued maintenance and maximum output and efficiency by paying for electricity generated rather than a portion of capital costs.
- **Tailored to Specific Technologies and Applications** – Although the FIT is one regulatory tool, it can be specially tailored to reflect different costs and output dynamics of specific technologies and applications, such as geographic and time-based differences for solar and wind generation, or industry-specific biomass applications.⁴
- **Distributed Generation** – A feed-in tariff promotes distributed generation of solar, wind, and biomass, and the distribution of small sources improves grid efficiency.

³ Draft Scoping Plan Appendices, California Air Resources Board, C-76, 2008.

⁴ The feed-in tariff can also assist in implementing Measure A-1, Methane capture at large dairies, as well as Measure RW-1, Landfill Methane Control, and similar measures to control emissions and recover energy from High GWP GHGs.

- **Green Jobs** - In the European Union, and Germany in particular, the feed-in tariff has been highly successful in stimulating significant development of renewable energy and green-collar jobs. It has brought together coalitions across the political spectrum including investors, farmers, labor unions, and environmentalists.
- **Degression Rates Promote Technology Improvements** – Many countries gradually lower contract rates for new installations over time to promote technology improvements, encouraging new research, investment, and efficiency.

Inclusion in Scoping Plan

The Scoping Plan is a comprehensive document outlining California's strategy to achieve a reduction in greenhouse gas emissions by 2020. While the 33 percent Renewable Portfolio Standard is a major component of that strategy in the electric sector, it is also important to reference complementary strategies that can assist in achieving the 33% goal. The detailed tariff development is appropriate at a later date, but CARB's leadership at this point is needed to ensure that effective implementation of Scoping Plan goals is realized. We urge CARB to include the feed-in tariff as part of a comprehensive implementation strategy for the RPS measure, since it may greatly improve the chances of California utilities meeting the 33% RPS goal by 2020.

Sincerely,

Andy Katz
Breathe California

Sue Kateley
California Solar Energy Association

Scott Smithline
Californians Against Waste

Rachel McMahon
Center for Energy Efficiency and Renewable Technologies

Luke Cole
Center on Race, Poverty & the Environment

Rafael Aguilera
Climate Protection Campaign

Tam Hunt
Community Environmental Council

Jim Stewart
Earth Day Los Angeles

Bernadette Del Chiaro
Environment California

James Fine
Environmental Defense Fund

Craig Lewis
GreenVolts

JD Sitton
Infinia

Martin Roscheisen
Nanosolar Inc.

Jim Metropulos
Sierra Club

Sara Bigmingham
Solar Alliance

Dave Olsen
Western Grid Group