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May 20, 2009

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Room H-232, The Capitol
Washington, DC 20515

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives
H-107, The Capitol
Washington, DC 20515

Dear Speaker Pelosi and Majority Leader Hoyer,

I am deeply concerned that the Renewable Electricity Standard contained in the current draft of the American Climate and Energy Security Act will, despite the best of intentions, fail to act as an effective incentive for the increased deployment of solar power. I believe this would be a significant lost opportunity and I seek your assistance in amending the measure before it is considered by the full House.

Importance of a Solar Carve-Out

The current draft legislation establishes a federal Renewable Electricity Standard of 20% by 2020. This is an excellent goal. However, the draft bill fails to establish a carve-out for any specific renewable resources, like solar. Consequently, retail electric suppliers seeking to fulfill their compliance requirement at the lowest possible cost will gravitate toward the lowest-cost sources of renewable electricity, which are currently wind and biomass. Solar will receive little, if any, benefit from this legislation.

It is critical that our nation invest in a *diverse* portfolio of renewable energy resources. Indeed, one of the major reasons to adopt an RES in the first place is to ensure that renewables get a toe-hold in the larger power market, and increase the diversity of our power generation. If price were our only consideration, there would be no reason to adopt an RES at all.

However, to effectively serve as an incentive for all renewables – not just the cheapest ones – an RES must be well-designed to account for the fact that different resources are at different stages of their development. Technologies for tapping wind and biomass are relatively mature compared with those for harnessing solar. This does not mean solar's future is not bright, just that the industry needs time, and a robust market to mature in order to achieve cost

competitiveness. Creating a solar carve-out will create an effective incentive for its deployment and help it quickly achieve this goal through rapid growth and scaling of production capacity.

I understand and support a reluctance to “pick technology winners.” However, this argument should be applied to specific technologies, not an entire resource base, like solar. Solar energy is the largest, most accessible renewable energy resource in the world; it is impossible to imagine a renewable energy future that does not include the utilization of *the* most abundant energy resource available. Encouraging a diverse resource portfolio benefits the entire renewable energy sector, as a mixture of technologies such as solar and wind can help to mitigate the effects of intermittency. It is entirely appropriate for our nation to invest explicitly in tapping the solar resource and building the associated industry. To do that, we should create an effective solar incentive by creating a solar carve-out of 20% within the RES.

Credit Multipliers Are Ineffective

The draft bill does attempt to partially address the omission of a solar carve-out by creating an incentive for distributed generation (DG). I agree that DG is important, and I understand that a DG incentive could serve as a proxy solar incentive to a degree, since photovoltaic technology is a widely applicable form of DG. (It would do nothing, however, to incentivize utility-scale solar installations – a major shortcoming.) However, the incentive mechanism contained in the draft bill – a 3x “renewable electricity credit multiplier” for DG systems – has repeatedly proven to be ineffective at spurring adoption of distributed resources. If we want to incentivize DG, the proper mechanism is, once again, a carve-out, not a credit multiplier.

One of the places a credit multiplier has been tried is in my home state of Arizona, which was one of the first states to adopt a renewable portfolio standard of any kind. The Environmental Portfolio Standard (EPS), instituted in 2001, encouraged early development of solar resources through a 2x credit multiplier. However, after chronic non-compliance and widespread dissatisfaction with its results, the Arizona Corporation Commission voted to scrap the EPS in favor of a new approach: a 30% DG carve-out. This mechanism has proven to be vastly superior at achieving the desired ends of expanding DG deployment, particularly solar.

According to a 2007 report by Ryan Wiser¹, a staff scientist at Lawrence-Berkeley National Laboratory, “Credit multipliers, such as [a] 3x credit for distributed solar, can increase the chances that solar will benefit from an RPS, but even this proposal yields relatively little incremental solar because the credit multiplier is not high enough to spur large increase in sales.”

In his report, Wiser analyzes credit multipliers in multiple states, including Delaware (3x), Maryland (2x) and New Mexico (3x), and Washington State (2x); he finds little impact in any of those jurisdictions. “States that only have credit multipliers for solar, but no solar share requirement, have not yet seen significant solar additions, especially customer-sited solar. [This] partly reflects fact that credit multipliers have not been large enough to spur heightened interest. [It] also reflects fact that customer-sited solar projects face solicitation barriers due to their small individual size.” Wiser concludes that “**for an RPS to significantly benefit solar, especially**

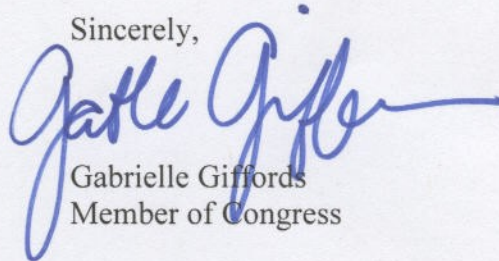
¹ <http://eetd.lbl.gov/EA/EMS/reports/pv-rps-set-asides-2007.pdf>

photovoltaics, a solar share requirement appears necessary; or else multipliers must be set at higher levels..."

The bottom line is that credit multipliers, at least at levels of 2x or 3x, simply are not an effective incentive for solar. While this may change as the price of solar power technologies continues to fall, why should we take that chance when we know that alternative policy mechanisms – specifically carve-outs, whether for DG or specific resources – have proven to be very effective.

One of the oft-touted benefits of our federalist system is that the individual states can function as a "laboratory of democracy," experimenting with policy ideas to find the ones that work best. This is true, but only if we take the time to learn the hard-won lessons. In the case of renewable electricity standards, the lesson is clear: carve-outs work, credit multipliers do not. I strongly urge your assistance to modify the American Climate and Energy and Security Act to ensure that it contains an effective mechanism to achieve our shared goal of a diverse and secure portfolio of renewable energy sources for our nation.

Sincerely,



Gabrielle Giffords
Member of Congress

CC: The Honorable Henry Waxman, Chairman, Committee on Energy & Commerce
CC: The Honorable Ed Markey, Chairman, Subcommittee and Energy & Environment