May 7, 2008

An Open Letter To:
The Honorable Charlie Crist
Governor, State of Florida
Office of the Governor
State of Florida
The Capitol
400 S. Monroe St.
Tallahassee, FL 32399-0001

From:
Solar Energy Companies Growing In Florida

Subject:
Will RECs Create An Unhealthy Solar Market for Florida?

Dear Governor Crist,

Thank you for your actions on Climate Change in Florida. We applaud the work you, your Climate Change Committee, and the State Legislature are doing to help move Florida towards a sustainable, renewable energy future for our citizens' health and security.

We are confident that the Governor and his staff are extremely well informed on the issues of renewable energy policies including Feed-In Payments Based incentive mechanisms which financed most of the world's solar installations in 2007. However, we would be remiss if we did not directly inform you of our deep concern about the direction Florida will be heading with regard to the future of the solar energy industry in Florida.

With the passing of the House and Senate Energy Bills, Florida is now faced with the best way to develop incentives for its solar and renewable energy programs.

At issue is how the current language will impact residential, commercial, and large scale markets, and how many companies will be able to operate under the structure of the state's Renewable Portfolio Standard (RPS) that is so tightly tied to a REC policy mechanism.

As you are aware, a Renewable Energy Certificate (REC) represents the value of one megawatt-hour (MWh) of clean electricity generated by a solar system and is traded on the clean power market. Under any RPS, utilities must accrue a certain amount of renewable energy credits to meet their renewable electricity procurement obligations. Instead of relying on up-front payments from the state, owners of solar systems will earn some of their money back by selling certificates to utilities or some other aggregator.

The real concern for the long term growth of the solar energy industry in Florida is that the REC program, as currently crafted in the Energy Bill, will benefit a few large companies at the expense of many small and mid-sized companies.

On July 13, 2007, you signed a suite of executive orders to reduce Florida's greenhouse gas emissions, increase energy efficiency, and remove market barriers for renewable energy technologies such as solar and wind energy. Since the executive orders were signed, Florida has stepped onto the world stage as a major marketplace for advanced energy technologies.

On April, 29, 2008, you announced the 2008 Serve to Preserve Florida Summit on Global Climate Change to be held June 25-26, 2008 in Miami. Building on the foundation of Florida's energy future that began at last year's summit, the 2008 summit will focus on stimulating economic development in clean technologies as well as "greening" Florida's business community. As you have stated; "Florida's businesses continue to demonstrate that there is gold in green and climate-friendly energy sources – like ethanol and solar energy – are bringing new prospects for our state. Encouraging companies to do business the green way as well as building a strong market in renewable energy technologies in the Sunshine State will strengthen our energy and economic future and protect our natural environment for generations to come."

As economic development and the removal of market barriers are some of the most important elements for meeting the Governor's goals on Climate Change, many solar companies and other renewable energy participants in Florida, believe these *REC policies will not* encourage the vast job creation and economic expansion you and our industry desire.

Governor Crist, there is extensive evidence from states that have implemented REC policies that they are failing to produce the healthy economic development and the removal of market barriers that you and our Florida policy makers are seeking.

Let's begin with New Jersey and Maryland…
New Jersey once had a vital and growing solar industry, developing thousands of new high paying jobs. Maryland recently followed suit by passing legislation intended to create a market for both small and large solar companies. Under each of these states' newly adopted REC-based incentive programs, these small to mid-sized companies quickly learned that REC policies are incapable of delivering adequate financial incentives for their client base of residential and small commercial customers.

RECs are seen by some larger companies as a low cost, market based policy that allow for broad based participation. However, there is evidence to show that REC based policies can be the most expensive incentive mechanism, requiring significantly more involvement and administration from the state. Additionally, the floating market mechanism feature of the REC is extremely volatile requiring that companies have large financial resources to navigate and master the complex nature of the commodity to truly benefit from this type of policy. Like the sub-prime mortgage challenge we face in Florida today, financing a long life solar energy asset with a short term financing instrument like a REC is unwise.

Homes, churches, banks, and small businesses do not easily participate in the REC policy model.

As Ted Middleton, President of a Maryland based solar company explained, “The ratepayer base thus foots the highest bill possible to fund ‘Big-Box’ style installations, and the little guys (farms, auto dealers) get a much lower cash benefit relative to each REC produced because they have little market leverage with remaining REC purchasers.” “The small systems just got completely left off the table,” says Middleton. “The state just said, '[The REC program is] too difficult, too risky for us to do, so we're not going to touch them.'”

“In New Jersey there's a lot of concern that the residential sector, while it may not be completely shut out, is in big trouble,” says Lyle Rawlings, secretary of the Mid-Atlantic Solar Energy Industries Association. “We need to do better at creating a system where small businesses and small projects can play the game. That's not the case right now.”

“Unfortunately, the language that passed through the legislature favors a REC based policy. Without any change, for the foreseeable future anyway, Florida could end up with renewable energy policy primarily designed for only one or two large companies, just like what has happened in Maryland and New Jersey,” comments Pete DeNapoli, SolarWorld’s Regional Manager based in Boca Raton. “Sure, the state of Florida will meet the RPS goals, but the bottom line is that the Governor’s goal of creating a vibrant renewable energy industry with thousands of new, high paying jobs will not be realized,” Pete adds. “With Feed-In Payment incentives, you get it all.”

By now most of the Department of Environmental Protection and many policy makers have heard that there is a better answer for encouraging a healthy solar market in Florida.

Internationally, utility Feed-In Payments *(FITs) have become the incentive of choice* for increasing the uptake of solar and other renewable energy technologies, being implemented in over 40 countries around the world. This proven policy option is gaining ground because it takes the state's fiscal role off the table. Indeed, many of the recent calls to Solar Energy Industry Associations like FlaSEIA and Mid-SEIA, for FIT policies, have come from businesses concerned about REC dependent markets.

A FIT — which most people know as the mechanism that started Germany's solar boom — offers anyone with a solar system (or any renewable energy system) a fixed payment for the electricity generated by that system. The incentive is designed to provide the system owner a “reasonable rate of return.” Instead of relying on the state, utility companies provide the incentives by charging all ratepayers a few extra dollars on their monthly bills. The recent Mason Dixon/FlaSEIA poll supports that Florida rate payers are willing to invest in solar each month on their utility bills. This investment is also demonstrated through the FPL Sunshine Energy Program where over 30,000 customers voluntarily pay $10.00 each month to support clean energy. FITs provide long-term stability, which in turn reduces capital costs and allows for a much more diverse group of companies and individuals to invest in solar. FITs are a simple, stable, inclusive approach to developing solar and other renewables in Florida.

We want to thank the Governor, and his energy team for their efforts. As you say; “Encouraging companies to do business the green way as well as building a strong market in renewable energy technologies in the Sunshine State will strengthen our energy and economic future and protect our natural environment for generations to come."

Good solar policy should benefit all types of individuals and businesses, create more jobs, and encourage a wide range of economic activity. That's what the industry has promised, that's what you have promised. We believe the best policy to spur climate-friendly economic development opportunities that create robust new industries, employing thousands of people while improving Florida's energy security, is through Feed-In Payments (FITs).

We ask you to help the citizens of Florida realize this important goal with direction and guidance to the Florida Public Service Commission with emphasis on solar policy using Feed-In Payments (FITs).

We would welcome the opportunity to discuss this important policy mechanism in greater detail with you and your staff at a meeting of your convenience. Mr. Peter DeNapoli from SolarWorld of Boca Raton will be contacting you to arrange this opportunity.

On behalf of the companies and individuals represented below, we want to thank you Governor Crist for your vision and support for a healthy Florida solar energy industry.

Sincerely,

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