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Governor Christie Signs New Solar Legislation Helping the New Jersey Solar Industry

What the Legislation Does.

The new solar legislation increases the short-term demand for solar renewable energy certificates (SRECs) by requiring energy suppliers to obtain a higher percentage of electricity from solar facilities over the next several years. This will absorb the current over supply of SRECs, and prices will rise as the market readjusts. The long-term demand for SRECs, however, is reduced from prior levels. Each year, the annual percentage required for solar increases, but not at the steep pace required by prior legislation. The days of selling SRECs for high prices in the $600s are also over because the legislation reduces the alternative compliance payments to $339 in 2014 and lower in the years to follow. The new legislation increases the longevity of SRECs from 3 to 5 years, giving solar facility operators more time to sell their SRECs. In addition to adjusting the market for SRECs, the legislation limits solar farm developments, but incentivizes the development of landfills and brownfields for solar projects. As a large benefit for certain public entities, the law authorizes aggregate net metering for them.

Why is the Legislation Needed?

Over the past two years, the New Jersey solar industry has suffered from a simple supply and demand problem created by the overlay of federal and state incentives coupled with the decreasing costs of solar panels. The state incentives are based on a market for SRECs. For each 1,000 kWhs of energy produced by a registered solar facility, regulators issue one SREC to the facility owners. Energy suppliers must obtain an annually increasing percentage of electricity from solar facilities, and they meet this requirement by purchasing SRECs on the open market or paying an alternative compliance payment. (As explained above, the new legislation increases this percentage in the short-term and decreases it in the long-term.) The state-created market for SRECs became flooded soon after the American Recovery and Reinvestment Act of 2009 provided, for a limited time, grants for 30% of the cost of a solar system. At about the same time, the cost of solar panels plummeted. New Jersey saw record-breaking growth in solar facilities, but New Jersey also saw the market price for SRECs fall from a high in the $600s to a low in the $100 as the supply of SRECs outpaced the demand. As a result, many of the projects that did get built are struggling and investors are reluctant to start new projects.

The full text of the legislation is available at:
http://www.mmwr.com/home/publications/default.aspx?d=3644

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The Energy Law practice advises clients on a wide range of matters arising from the generation, purchase and use of energy, including the development and financing of renewable energy resources and gas well development in the Marcellus and Utica shale regions. We help our clients negotiate power purchase agreements, understand and navigate complex tax and regulatory programs related to the generation and sale of renewable energy and renewable energy credits, take advantage of programs and incentives to reduce energy consumption and develop corporate policies on sustainable business practices.

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