Obama’s Plan for Economic Growth to Crumbles in a Solar-Domino Effect?

Coming into the White House in 2008, President Obama found himself facing a very difficult economic climate. Hoping to stimulate business and overcome the financial woes that permeated the country, the president poured billions into green energy, touting its many advantages at every turn.

Fast forward eight years later and it seems as if no matter where you look there is yet another house topped with solar panels. Homeowners responded eagerly to the push towards solar, making initial investments that they hoped would yield big payoffs in eight, ten, twelve or even fifteen years down the road. It was hard not to be intrigued by the concept of saying goodbye to high energy bills and consumers looked ahead to significant energy savings for recouping the cost by selling excess power back to the utility companies, a process known as net metering.

It sounded almost too good to be true. Until suddenly it wasn’t.

With the debut last summer of the president’s Clean Energy Act that had the federal government relinquishing control of energy efficiency regulations to the states, quite a few have begun overhauling their energy policies and suddenly the future of solar isn’t all that sunny.

According to The American Prospect, Michigan lawmakers are hoping to push through legislation that would pay consumers a lower wholesale rate on the energy collected by their solar panels instead of the higher retail rate that they are currently enjoying. For a homeowner who invested $10,000 to $30,000 in solar panels, this move alone could require an extra ten or twelve years to hit the break-even mark, making solar an unaffordable option for many and a financial investment of questionable merit.

Those who are pushing for the lower net metered rate say that the current practice represents a multi-million dollar subsidy to solar customers. Opponents point the finger of blame at the utility companies, who are threatened by the trend towards solar power.

“This is the first competitive threat to the utilities’ 100 year old business model,” observed Lauren Randall of Alliance for Solar Choice, which advocates for the solar power industry.

Numerous elected officials have been the beneficiaries of $667,000 in campaign contributions from Citizens for Michigan’s Energy Future, a partnership between the state’s two largest energy providers, according to the Michigan Campaign Finance Network. Governor Rick Snyder accepted $50,000 in donations from utility companies in 2015, with the sponsor of the net metering rate cut proposal, Senator John Proos, also receiving substantial contributions from the utilities. The money trail continues, with 37 out of 38 Michigan senators and 107 out of 108 Michigan representatives also receiving campaign donations from seven major industry groups.

Advocates of solar energy note that the movement in Michigan is also unfolding in more than a dozen other states. In Nevada, tough times appear to be looming for the solar industry. Fox News reported that Nevada will be phasing out subsidies to its 17,000 customers over the next 12 years, and monthly fees for solar customers will more than triple.

Paul Thomsen, chairman of Nevada's Public Utility Commission defended the move, saying that the current practices leave homeowners who don't have solar systems subsidizing those who do to the tune of $16 million annually.

"As the rooftop solar industry has gotten larger and larger, we've seen this subsidy grow," said Thomsen. "What started as a legislative policy to kick start the industry, now 18 years later it's time for that industry to stand on its own two feet."

Homeowners who invested thousands in a solar installation have decried the move, calling it a bait and switch. Faced with an uncertain reality, a number of solar companies are either downsizing or moving out of state, leaving hundreds jobless. Hoping to ease the pain of the new regulations, Governor Brian Sandoval is recommending that those who already have existing systems be grandfathered in for the next 20 years.

While much of the action is taking place at the state level at this time, it is difficult to forget the massive failure of Solyndra, a solar cell supplier in Nevada. Solyndra, the first company in the country to receive monies of this nature under President Obama's economic stimulus program, received a $535 million United States Energy Department loan guarantee before going filing for Chapter 11 bankruptcy protection in 2011. The ensuing bankruptcy left taxpayers holding the bag for the outstanding loan, with 1,100 of the company's employees out of work. This sparked a criminal investigation that focused on how the troubled company had managed to qualify for a monumental government loan.

While Solyndra had been held up as the poster child for President Obama's green approach to energy, a Washington Post investigative report indicated that the warning signs of the company's looming financial woes were hard to miss, yet somehow the loan was approved without undergoing the required reviews. Some question whether Obama's relationship with billionaire Democratic fundraiser George Kaiser, a large investor in the company, may have played any part in the ensuing debacle.

President Obama hailed his Clean Energy Act, announced in August 2015, as "the biggest, most important step we have ever taken" in the war on climate change, but by making states, not the federal government, responsible for coming up with their own plans to reduce emissions, he may have done exactly the opposite. Many on the state and local levels are concerned that allowing energy efficiency policies and the renewable energy business to be dictated by local, for-profit, utilities gives companies the ability to focus on maximizing their own bottom line instead of creating fair programs that benefit the environment and the consumer.

While the worries in Michigan and Nevada focus primarily on solar power which allows homeowners to create a mini power plant on their roof to fuel their homes, it is important to distinguish between the benefits of renewable energy sources, like solar power, and energy efficiency. While solar power sources can yield tremendous benefits, homeowners, like those in Michigan and Nevada are quickly discovering that after incentive plans are taken out of the equation, roof-top solar panels are a major investment that can take years to pay off, making them a poor financial investment. Energy efficiency on the other hand, which can include foam insulation, state of the art windows, air sealing and more, can provide consumers with immediate savings. The payoff for energy efficiency becomes even more attractive when coupled with programs from agencies like the New York State Energy Research and Development Authority and PSEG that provide home energy audits, rebates, grants and $25,000 energy upgrade loans which allow homeowners to use their energy savings to pay off their loans with no out of pocket costs.

Dr. Averell Gnatt, a well-known voice in the biotechnology industry, noted yet one more benefit to energy efficiency: better health.

“What is really important about energy efficiency is that it improves the quality of the air we breathe,” said Dr. Gnatt. “There is no question that upgrading systems to meet energy efficiency standards reduces the risk of lung cancer and other maladies.”

Homeowners and those in the energy efficiency business on Long Island and in parts of Queens have become increasingly alarmed by announcements seven months ago to terminate the NYSERDA incentive programs. Due to be eliminated completely by the end of the year, the height of the energy season, they will be replaced by programs run by local for-profit utility companies.

“The deadline is just three months away and we still haven’t heard anything about what those programs will be,” said Yakov Milstein co-founder of Jsynergy, a Long Island based smart energy solutions contractor. “Frankly we are very concerned about how these changes will affect homeowners and the energy efficiency industry. Hundreds of jobs could be lost and consumers could be facing huge costs. Why are we eliminating programs that have worked so well and harming millions of people on Long Island and in Queens?”

Conrad Metcalfe, Executive Director of the Building Performance Contractors’ Association of New York State and the New York Chapter of Efficiency First is leading the charge to ensure a clear path to the continued success of energy efficiency industry. This non-profit trade association is working to involve the Long Island Department of Public Service in any decisions made by the Long Island Power Authority (LIPA) and the Public Service Enterprise Group (PSEG) to be in the best interests of everyone involved.

“We are committed to staying on the forefront of the energy efficacy marketplace, advocating and coordinating smart changes on behalf of both homeowners and many dedicated contractors,” said Metcalfe.

Metcalfe is confident that by raising awareness about the proposed changes to the energy efficiency industry, solutions can be achieved that will benefit everyone, including the utilities.

“Having gotten the attention of the utility companies we now look forward to working with all parties involved to ensure that energy efficiency programs continue to be available,” said Metcalfe. “We are optimistic that we can move ahead with a shared goal of energy efficiency, cost savings and a greener tomorrow.”