

Solar power funding threatened by Congress

by *Erin Kelly* - Jun. 26, 2011 12:00 AM
 Republic Washington Bureau

WASHINGTON - Congress is threatening to turn off power to the solar-energy industry, sending companies scrambling to save federal programs that have helped finance the creation of a massive solar plant in Gila Bend and other projects throughout the nation.

A conservative House bent on slashing federal spending and philosophically opposed to subsidizing solar power and clean energy is trying to reduce or eliminate federal programs that offer grants and loans to the solar industry.

And the potential for a national clean-energy standard, advocated by President Barack Obama, that could boost the use of solar power also is fading in a Congress that takes a dim view of government mandates about what kind of energy Americans should use.

On the endangered list is a U.S. Treasury grant program, set to expire in December, that solar companies say has kept them alive through the economic downturn.

Also threatened: an Energy Department loan-guarantee program that provided a \$1.45 billion guarantee for the Solana project in Gila Bend, which will be one of the world's largest solar plants, and a conditional guarantee of nearly \$1 billion to build the Agua Caliente power plant in Yuma County, which has solar panels made from Tempe-based First Solar Inc. Part of that loan program is slated to end Oct. 1.

If Congress does not renew the programs, all of the recent progress made by the solar industry could be derailed. The industry grew 67 percent last year - faster than any other U.S. industry - and employs about 100,000 people nationwide, according to the Solar Energy Industries Association, a national trade group with about 1,000 solar companies as members.

"Is the solar industry going to die if we lose these programs? No, but we're going to stall," said Roger Efird, managing director of Suntech America Inc., which added 30 jobs in May at its manufacturing plant in Goodyear. "We'll certainly lose a lot of jobs, there's no doubt about that."

Solana would not have been possible without the loan-guarantee program, said Fred Morse, senior adviser for U.S. operations for Abengoa Solar of Spain, which is building the plant and will operate it for APS. Since Solana is under way, it will not be affected if Congress ends or cuts the two sections of the Department of Energy's Loan Guarantee Program, but future Abengoa projects could be.

"The commercial banks today cannot lend

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money long-term at acceptable rates," Morse said. "The loan has to be at a rate that will leave us with enough revenue to pay off the debt. The federal loan-guarantee program is essential. Without it, Solana would not be built."

But critics say it's time for the solar industry to stand on its own and to compete in the free market without any help from struggling American taxpayers.

"If you take a gun and force taxpayers to hand over their **earnings** to a solar company, that solar company is going to do very well, but the taxpayers end up getting screwed with nothing to show for it at the end of the day," said Rep. Tom McClintock, R-Calif., who has led efforts by House conservatives to end loan guarantees and grants for the solar industry and other renewable-energy industries. "We've spent billions on technology and research and subsidies, and it's still the most expensive way of generating electricity."

Solar costs dropping

Solar power and offshore wind power are the most expensive ways to generate electricity, according to the U.S. Energy Information Administration.

But the cost of solar energy is dropping as the technology becomes **more efficient** and the industry expands, according to the Solar Energy Industries Association. The average price of an installed solar system in a home, business or power plant fell more than 20 percent nationwide from the beginning of 2010 to the end of the year, the association said.

And analysts say it's unfair to talk about

solar standing on its own when the federal government has been subsidizing the oil, gas, coal and nuclear industries for decades. The history of subsidies includes tax incentives to drill for oil, federally financed dams to generate hydroelectric power and research **funding** for nuclear power and clean-coal technologies.

"The government has been involved in energy from day one," said Richard Caperton, an energy analyst with the Center for American Progress, a liberal think tank. "The government has always played a role in the energy mix through providing incentives to certain technologies or making it easier to use certain technologies. Transmission lines to coal-fired power plants were built with taxpayer subsidies. If we stop spending money on some very cost-effective programs for clean energy, all it's going to do is put clean energy at an even bigger competitive disadvantage."

A better solution may be to get rid of all federal subsidies for energy, said Nicolas Loris, an energy analyst with the conservative Heritage Foundation.

"Given the financial situation of our

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government, energy subsidies is not an area where we need to be spending money," he said.

But solar advocates argue that the government's investment is paying off.

"We need to be fiscally disciplined as a country, but we shouldn't be foolhardy by eliminating programs that create jobs," said Rhone Resch, president and CEO of the Solar Energy Industries Association. "Ultimately, it's job creation that will reduce our national debt."

Ally found in Obama

The solar industry has an ally in Obama, who has called for a national clean-energy standard with a goal of generating 80 percent of the nation's electricity from clean sources by 2035. Although there is little chance that Congress will approve that ambitious goal, the administration could take steps on its own to help the solar industry by allowing federal agencies to enter into long-term agreements to purchase solar power, Resch said.

Solar programs also remain popular in the Senate, where Majority Leader Harry Reid, D-Nev., fought off efforts early this year by the House to end the loan-guarantee program that helps solar companies secure financing for their projects. Reid announced last month that the Energy Department will provide conditional guarantees for the Crescent Dunes Solar Energy Project in Tonopah, Nev., creating nearly 5,000 jobs in his state, which has the nation's highest unemployment rate.

Solar lobbyists said they believe at least one of the two sections of the loan-guarantee

program will survive, although it is not yet clear how much money it will receive.

McClintock, the California congressman, and other conservatives, including Rep. David Schweikert, R-Ariz., wrote letters this month asking the House Appropriations Subcommittee on Energy and Water Development to end the loan guarantees. The subcommittee approved \$160 million for loan guarantees, far less than the \$1 billion sought by the administration but enough to keep the program alive.

The fate is less certain for the Section 1603 Treasury Grant Program, which gives solar companies a grant equal to 30 percent of the cost of a solar system as an incentive to develop solar projects. It was intended to help companies that were struggling in the sluggish economy.

The program has been crucial to companies such as SolarCity, which has an operations center in Phoenix that installs solar electricity systems in homes and businesses.

Extending the program will be tough in the House because the grant was part of the American Recovery and Reinvestment Act,

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the stimulus bill passed by the Democrat-led House in 2009. Many Republicans hate the act, saying it spent billions of dollars of taxpayer money while creating few jobs.

"I think we've got a 50-50 chance of getting the grant program renewed," said Efir of Suntech.

Solar advocates say they believe they can change some minds about solar in the House when they point out that there are solar companies in every state in the nation and in many congressional districts. That doesn't always work, though, as Schweikert's opposition to the loan-guarantee program shows. First Solar is based in his district.

"I think solar is sometimes mistakenly thought of as a small, niche industry when it actually creates jobs all across the country," Caperton said. "It's not just California and Arizona - there are manufacturing companies in Mississippi, Alabama, Michigan, all over the place."

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