

Wind Power Wanes With Fading Federal Incentives

Copyright ©2010 National Public Radio



Heard on All Things Considered

September 6, 2010 - ROBERT SIEGEL, host:

And now to another angle on man's efforts to control nature. Energy projects got a big boost, many billions of dollars in last year's stimulus bill, and a major focus was renewable energy. But as it turns out, one of the largest segments of that market, wind power, will experience a sharp decline this year in its growth rate. Last year, 10,000 megawatts of wind power were brought online in the U.S.

NPR's Jeff Brady says this year, that number likely will fall by more than half.

JEFF BRADY: Out on the windy plains of Eastern Colorado, Canadian company Enbridge recently held an event hosted by Senior Vice President Jim Schultz.

Mr. JIM SCHULTZ (Senior Vice President, Enbridge, Inc.): It's my great pleasure to welcome you all to our groundbreaking celebration for the 250-megawatt Cedar Point Wind Energy Project.

BRADY: Wind power advocates wish more ceremonies like this were happening around the country. 2010 will mark the first time in six years that this industry's growth rate will actually decline. There are several reasons for this, but probably the biggest factor has to do with government incentives.

The wind industry typically rises and falls with the passing and expiration of federal tax credits. Look at a graph of wind turbine installations and there's a sawtooth pattern.

Mr. GEORGE STERZINGER (Executive Director, Renewable Energy Policy Project): Sometimes high, then they drop off. Then they're high, then they drop off.

BRADY: George Sterzinger heads the Renewable Energy Policy Project in Washington. He says wind farms are expensive to build. When the credit markets dried up in 2008, so did the money for new projects. The White House and Congress threw the industry a lifeline in the stimulus package 18 months back in the form of investment tax credits.

Right now, if you build a wind project, the government will essentially cut you a check for 30 percent of the cost. But that lifeline is running out of rope and scheduled to expire at the end of this year. Sterzinger says that deadline prompted a lot of activity last year.

Mr. STERZINGER: Everybody moved their projects forward into 2009 to take advantage of it. Now, people are looking at, you know, can you make it for sure by that deadline? If not, you stop.

BRADY: And wait for the next government incentive to come along.

Another factor at work here is the price of natural gas. It's relatively cheap now, so some utilities are choosing to build gas power plants rather than wind farms. In response, the wind industry says it needs a federal mandate, a law that would tell those utilities they have to buy more renewable forms of energy.

Denise Bode, CEO of the American Wind Energy Association.

Ms. DENISE BODE (CEO, American Wind Energy Association): We're kind of stuck without that long-term policy in place that sends the signal to the utilities that they need to purchase wind as part of a diversified portfolio and not just depend on traditional fossil fuels for 70 percent of their electricity.

BRADY: President Obama has said he supports a renewable energy mandate. Getting it passed this fall is one of the wind industry's priorities as lawmakers return to Capitol Hill.

It's worth stressing that we're talking about a decline in growth here. That means the wind industry is still growing this year, just not as fast as last year or the year before that.

Matt Rogers was appointed to oversee stimulus projects at the Department of Energy. He says despite the blip this year, the big picture looks good.

Mr. MATT ROGERS (Senior Adviser, Recovery Act Implementation, Department of Energy): We are well on our way to doubling U.S. renewable generation capacity in the U.S., which is what the president had committed to. So we're pretty excited about the overall pace of development.

BRADY: The question now is whether that pace can be maintained. Rogers says it would help to have more certainty when it comes to tax policy and other incentives. That would give investors and wind energy developers the information they need to make long-term plans instead of waiting around for the next government lifeline.

Jeff Brady, NPR News.