

Friends of Local Government  
*Policy Paper Series*

**CROSS CURRENTS AND CONVERGENCE:  
POLITICS, ECONOMICS AND THE FUTURE OF  
NEW JERSEY RENEWABLE ENERGY POLICY**

Tom Johnson, Author

Volume 4, Number 3  
October, 2012

**EDUCATIONAL FOUNDATION, INC**  
NJLM

# Friends of Local Government

## *Policy Paper Series*

### **Preface**

This is the fifteenth paper in NJLM Foundation’s “Friends of Local Government” Policy Paper series. This paper is authored by Tom Johnson, co-founder and energy and environment writer for NJ Spotlight

NJ Spotlight is an online news service providing insight and information on issues critical to New Jersey, with the aim of informing and engaging the state’s communities and businesses. NJ Spotlight is nonpartisan, independent, policy-centered and community-minded.

NJ Spotlight exists through the generous support of the Community Foundation of New Jersey, the John S. and James L. Knight Foundation and the William Penn Foundation.

The entire “Friends of Local Government” Policy Paper series is available on the Foundation’s website at [www.njlmef.org](http://www.njlmef.org)

On behalf of the Board of the NJLM Educational Foundation, we thank Mr. Johnson for his contributions, and believe you will find this paper informative.

We would also like to note the support of the Foundation’s Board for this project, as well as staff from the New Jersey State League of Municipalities, including Bill Dressel, Michael Darcy and Danielle Holland.

Michael F. Cerra, Policy Advisor  
NJLM Educational Foundation  
222 West State Street  
Trenton, New Jersey 08608  
[www.njlmef.org](http://www.njlmef.org)

---

#### **About the Contributing Author**

Tom Johnson is a journalist with 34 years of experience in reporting and editing at New Jersey newspapers. A veteran reporter for The Newark Star-Ledger, Johnson worked in the Statehouse and in Newark covering energy, environmental and telecommunications issues. Before that he served as editor of the Ridgewood Newspapers and a reporter and editor at the Herald-News. A recipient of many state and national journalism honors, including recognition by the U.S. Environmental Protection Agency for coverage of the environment, he was a member of the Star-Ledger’s nationally award-winning business section. After leaving the Ledger in early 2009, he served as press secretary to the Daggett Campaign for Governor. He lives in Plainfield, N.J. [tjohnson@njspotlight.com](mailto:tjohnson@njspotlight.com)

New Jersey's solar industry is at a crossroads, a somewhat surprising development given its wildly successful record in the past decade.

Once perhaps the fastest growing segment of New Jersey's economy, its future is somewhat uncertain—largely because it is a victim of its own success, according to many of the players in the sector.

Second only to California in the number of solar installations, New Jersey has installed more than 17,000 solar systems with a generating capacity of 832 megawatts, largely a result of lucrative state incentives, including grants and subsidies, complemented by valuable federal inducements.

But so many solar systems were installed in New Jersey the past couple of years, it has produced an oversupply of the credits homeowners and businesses earn for the arrays they have installed, a trend slowing investment in the industry and raising questions whether the past successes can be maintained.

With so many credits being generated, the price owners of the system have earned for the electricity their systems produce has dropped precipitously, from well above \$600, per megawatt produced, to as low as under \$80 in recent weeks. The decline has led some towns to cancel solar projects they once thought could drop energy prices for the municipality, such as Moorestown in Burlington County.

The decline is causing a great deal of reckoning among all segments involved in solar: from local governments which had hoped to install systems; to developers who had expected to earn bigger profits from building systems at homes and businesses; to larger developers interested in creating grid-supply projects on farms, brownfields and former garbage dumps.

Lyle Rawlings, president of Advanced Solar Products, one of the more vocal advocates for solar in New Jersey, told his staff more than a year

ago to stop selling projects in the state because of the declining prices. “Lots of people are losing money,” including my company,” he said.

It also could affect municipalities and school districts, which relied on bonding to fund solar projects, according to Rawlings. “Any school that issued bonds to pay for solar is almost certainly under water at this point,” Rawlings said.

This past summer, the Legislature and Christie administration sought to deal with the problem by passing a much-debated bill to fix the solar market, a measure that sought to rectify the issue by accelerating a mandate for electricity suppliers to buy more power from solar systems.

The rationale behind the bill was to provide a way to soak up the oversupply of credits, more formally known as Solar Renewable Energy Credits, by requiring suppliers to buy more credits than they were initially required. In fact, it doubled the amount of new solar systems that would be installed in New Jersey over the next few years. By doing so, the thinking went, it would eventually stabilize the price of the credits and spur more investment in the solar sector.

Has it succeeded? That question is subject to much dispute, largely because of widely divergent trends in the sector.

The good news: The amount of solar installations being installed in New Jersey the past couple of months has dropped from about 40 megawatts to a bit more than 20 megawatts. It is a sign the drop in prices for the solar credits is discouraging investment in the sector, a factor which may help solve the oversupply of SRECs.

“There’s been a significant slowdown (in the market),” said Fred DeSanti, a lobbyist with several solar clients. If the state can maintain a pace of approximately 20 megawatts of new solar installations a month, there is a good chance the price of the credits could rebound to as much as \$300 or more by 2015, DeSanti predicted.

The bad news: The pace of new applications to install new solar systems is extremely high, according to industry observers. That too, may be viewed as good news, a sign that solar developers believe the bipartisan legislation signed by Gov. Chris Christie is stabilizing the market, but that might be tempered by a flood new wave of credits entering the marketplace, further driving down prices of SRECs, Rawlings said.

“It’s clear from the pipeline that a lot of bigger solar farms are putting in their applications,” he said. If only a fraction of those projects are built, New Jersey will have much more solar built than projected under the legislation signed into law this past summer, Rawlings said.

But Assemblyman Upendra Chivukula (D-Somerset), a sponsor of the bill, said it is unlikely those larger projects will move forward with the price of credits under \$100. Also, the bill included a provision requiring new projects bigger than 10 megawatts must first obtain approval from the New Jersey Board of Public Utilities prior to moving forward.

Beyond those issues, however, there continues to be a debate over where new solar systems should be installed, a dispute raging through many municipalities around the state. And others, like New Jersey Division of Rate Counsel Director Stefanie Brand, are questioning when should ratepayers stop subsidizing the solar sector. Brand has said cost of achieving New Jersey’s ambitious goals to promote solar and offshore wind could cost ratepayers as much as \$5 billion over the next two decades.

The state’s new energy master plan recommends larger grid-supply projects should be targeted to brownfields and landfills, but it shies away from suggesting whether other solar projects ought to be on roof-topped facilities or mounted on the ground, although it clearly wants avoid solar farms on agricultural land. The plan also calls for the state’s four electric utilities to provide loans so that homeowners and small businesses can install solar systems, a strategy proponents say is the cheapest way to

promote the technology at the lowest cost to utility ratepayers, who end up paying for the program.

But some towns are fighting back. A group of West Windsor residents strongly objected to build a massive 45-acre solar project at Mercer Community College, on land once designated as farmland. They also questioned whether fall prices for the credits the project would generate would make the project economically viable. A Superior Court judge, however, recently ruled the project could move forward.

“We have some municipalities that have problems with some of the projects,” noted Michael Cerra, senior legislative analyst for the New Jersey State League of Municipalities, particularly in rural areas where some proposals have been suggested. Some towns are particularly galled by a previous law enacted by the state that defines solar projects as a “beneficial use,” a designation which makes it difficult for a local community to halt a project on land it had set aside for other purposes.

“If you make a decision to subsidize projects, then don’t do it in areas that undermine local zoning and the state’s energy master plan,” Cerra said. The league is pushing a bill that would amend the “beneficial use” designation, but it has yet to make much headway in the Legislature. “It’s going to be a tough sell because the energy industry is so strong,” he said.

The legislation (A-2966) passed this past summer also has its critics. To deal with the oversupply situation, the bill would essentially double the amount of solar to be installed in New Jersey in the next few years, a prospect an industry trade group claims could spike electric bills by up to \$300 million a year.

The Christie administration argues it will eventually lower bills for customers, who end up paying for the cost of solar programs through a surcharge on their gas and electric bills, by scaling back payments made by power suppliers if they cannot buy solar credits need to comply with

New Jersey's solar mandates.

Both lawmakers and most solar industry advocates say it is still too early to tell if the law to stabilize the industry is working.

“It is going to take time,” said Chivikula, who is chairman of the Assembly Utilities and Telecommunications Committee. “It’s too early to tell whether it is not working,”

“We’re on the right track to slow down the market to get it where the state wants it,” said Michael Flett, president of the Flett Exchange, which buys and sells solar credits. “The prices are really low right now so the buyers are holding off to see if the markets get to where the state wants it to go.”

If the prices of the credits, more formally known as Solar Renewable Energy Certificates (SECs), climb again to more than \$200, Flett said you will see the number of installations go right up, particularly because of the dramatically lower costs of solar installations, which have fallen in the past few months.

Sen. Bob Smith (D-Middlesex), the chairman of the Senate Environment and Energy Committee, also viewed the sector in a positive light. “It’s not a surprise,” Smith said, when asked about the drop in price in solar credits and a slowdown in installations. “It’s showing maturity.”