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Incentives Critical to Full Wind Power Potential in Nebraska

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On August 3rd, President Obama and the EPA announced the Clean Power Plan (CPP) with the goal of cutting 32% of carbon emissions nationwide by 2030. The plan institutes carbon reduction requirements for all states based on their current sources of energy, for Nebraska the goal is 40%. The next day, Governor Ricketts and his Attorney General announced they would be fighting the mandate in court; stating the plan is unlawful federal government overreach, while expressing concerns the reduction are infeasible in the timeframe given and will drive up electricity costs. Governor Ricketts misses the point on this. Reducing carbon emissions to slow climate change is a responsibility the USA shares with the world and is therefore a responsibility each state in America shares with each other. Many other states across the country have already implemented effective renewable energy policies to meet the country's goals.

Instead of griping about the difficulty of meeting the requirements and fighting the mandate in court, Nebraska's leaders must realize using less coal in the state's energy portfolio is not only inevitable, it can also be economically beneficial. They need to get started now by enacting a state implementation plan that can coordinate the right transition to carbon reduction and use the opportunity to spur growth in rural economies. If they don't, the federal government will create a plan for the state. Nebraska has incredible wind energy potential and this resource must play a considerable part in the state's energy portfolio to offset carbon emissions. The state must enact policies to accelerate wind power development through tax incentives and by setting renewable energy targets for its public utilities.

Nebraska is unique in that all its electricity is generated and distributed by public utilities. The Power Review Board (PRB) regulates the utilities operations and grants the construction of new power generation facilities. To do so, the board considers different power generation projects brought by the utility and chooses the least cost option. The main hindrance to building wind energy projects is the fact that public utilities are not eligible to receive federal subsidies such as the federal Production Tax Credit (PTC) and Investment Tax Credit (ITC) for Renewable Energy. Nebraska unlike other Midwest states does not provide any state-level wind tax incentives or have Renewable Portfolio Standards (RPS). Earlier this year, Senator Nordquist introduced LB 423, a bill similar to the PTC/ITC that would grant a state-level production tax credit to renewable energy facilities. The credit makes projects worthwhile to developers by providing a 2.1 cent per kilowatt-hour benefit for the first ten years of a facilities operation or the ITC of up to 30% towards the cost of construction. The bill had a majority in favor but just three votes short of overriding a filibuster by the opposition. Since then, this bill has found new support and has a good chance of passing next session, as it should.

The industry has been thriving in states where investor owned utilities have to meet portfolio standards and state incentives for wind production. States like Iowa, South Dakota and Kansas already receive between 20-25% of their energy from wind. Nebraska should set Renewable Energy Standards to its energy portfolio and enact state-credits and policies such as LB 423. The Nebraska Power Association should open up and facilitate investor owned wind developments in the state that benefit from federal tax credits. Utilities can then enter mutually beneficial purchase agreements with them without having to cover implementation costs.

Wind power has been growing quickly in Nebraska even without the most favorable incentives compared to other states. Wind projects have become cost effective and there are currently 14 utility owned and private generation plants operating at a total capacity over 800 MW. Energy from wind consists of just over 7% of Nebraska's electricity however; the state should integrate 20% to make an impact on offsetting carbon emissions. A 2009 National Renewable Energy Laboratory economic report for Nebraska indicated it has the capability of reaching 7,300 MW by 2030 with the availability of tax incentives and a state RPS. In addition, with the construction of 1,000 MW of wind power, land-lease payments are estimated to be $3.5 million annually and local property tax revenues to be $3.7 million annually. Wind generation comes with substantial economic benefits for rural communities and landowners. People all around the state are becoming increasingly supportive of wind energy and are pressing their representatives for policies that will encourage private wind development in their area.

Wind energy must contribute significantly for the state to meet its carbon reduction goals set by the Clean Power Plan. It is in Nebraska's best interest to pass tax incentives and create a renewable portfolio standard that will accelerate wind development in the state. The legislature can do this right away by passing the renewable tax credit bill LB 423 during their next session.