CLEAN Contracts: Making Clean Local Energy Accessible Now

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For many reasons, it's time to change direction in America’s energy use to rely on clean renewable energy. Renewable power reverses harmful environmental trends from global warming to local air pollution that hurts human health. But clean energy has many purely economic benefits as well.

This paper looks at the one policy that has helped to bring more renewable electricity into the marketplace than any other: the Clean Local Energy Accessible Now, or CLEAN, contract, also known as a “feed-in tariff.” These are national, state, or local policies that allow renewable energy project owners to sell their electricity to utilities at a predetermined, fixed price for a long period of time. We explore here how to implement CLEAN contracts in ways that create the greatest benefit for consumers, communities, and the economy as a whole.

Renewable electricity’s benefits to the economy are clear. It creates more jobs than fossil fuels for every dollar invested and for every unit of energy brought on-line. Clean energy reinvests more dollars locally in community-based infrastructure and it places U.S. industries on the leading edge of innovative technologies from smart grids to advanced battery storage to wind and solar generation and superefficient building materials. Renewables protect consumers from rising fossil fuel prices, stabilize energy prices across the whole economy, improve our national balance of trade, and position America on a competitive footing with Europe and China.

For these and many other reasons, renewable electricity will power the future of the American economy.

But getting clean energy projects built rapidly on a large scale—so that renewable electricity can flow easily onto the grid to supply large amounts of our energy needs—will require clear signals from federal, state, and local energy policy, and a sustained national commitment to overcome the barriers facing the adoption of these advanced technologies in today’s electricity markets.
Clean energy projects require substantial new capital investments. But these investments are hampered by several factors. Today, energy markets are dominated by incumbent technologies and limited by existing business models. Many innovative technologies are ready to enter the market today but they often require changes in operations of the electricity grid or new strategies for utility companies to generate profits for shareholders.

Potential clean energy investors also face an uncertain regulatory environment in the United States, both from federal energy policy and from regulators in state and regional markets. At every turn renewable energy is held back by the absence of national policies to guarantee equal standing with traditional sources of power. As a result, the growth of clean energy technology has not kept pace with the potential of these exciting technologies to meet our nation’s pressing energy needs.

A range of strategies are being employed around the world to meet this investment challenge. These range from raising the price of pollution through fees or taxes to direct public investment in clean energy infrastructure to underwriting the cost of research and development. As the United States looks to modernize its own electricity system—especially in the absence of a national climate strategy—it is critically important to understand which policies have most effectively encouraged private investors to build renewable energy projects.

The CLEAN contract is designed to overcome the specific barriers that stand in the way of businesses and consumers investing in renewable energy projects. It helps overcome upfront cost barriers to investment by making renewable energy projects more easily financeable. The contracts provide certainty on the price of electricity and uptake of that energy by utilities through long-term contracts. And they offer a clearly understood, standardized process for developing projects, which reduces red tape and cuts down on uncertainty for developers and confusion for homeowners, reducing market risk and lowering the costs of getting things built.

In short, the CLEAN contract makes it easier to run businesses, build projects, and give consumers what they want.

This paper begins with a look at how CLEAN contracts work and what their key ingredients are. It then examines how lawmakers and advocates can successfully move them forward given how the contracts are affected by federal regulation. It closes with recommendations on how to make sure the policies benefit ratepayers, workers, investors, and the U.S. economy.
Lawmakers and advocates who are interested in bringing CLEAN contracts into their communities will need to take electricity regulations into account. In most cases, the Federal Energy Regulatory Commission, or FERC, has to approve a CLEAN contract because it involves a wholesale sale of power. But there are also some cases where federal regulators do not play a role.

As federal and state authorities regarding CLEAN contracts are being clarified, there are a number of ways that programs can move forward today. We recommend that state and local activists and legislators consider the following strategies for immediate action to promote these important policies:

• Implement a CLEAN program at a municipal or cooperative utility.

• Engage with the Federal Energy Regulatory Commission to clarify how they would view potential statewide CLEAN contracts.

• Encourage federal lawmakers to sponsor and vote for legislation that would amend federal law to allow states to implement CLEAN programs.

• Build a base for CLEAN supporters in a state so that state legislators can move forward as the regulatory environment becomes clearer.

We also propose the following suggestions for implementing CLEAN contracts in ways that benefit key stakeholders. We will discuss these in greater detail within this report.

• Residents
  - Pursue public consultation and outreach about CLEAN contracts.
  - Make programs accessible and efficient.
  - Promote community-owned projects.
  - Expand access to nonproperty owners.
  - Help grow small and local businesses.

• Ratepayers
  - Cap program sizes to manage total program costs.
  - Decrease incentives over time as the market matures.
Workers
- Incentivize the use of local workers.
- Encourage locally made clean energy.
- Provide worker training.
- Promote standardized community benefits and project labor agreements.

Investors
- Connect pension funds, community development finance institutions, and community banks to CLEAN projects.
- Dedicate some program funding to educating local financiers about clean energy.
- Explore opportunities for “crowd sourcing” investment to engage smaller investors and provide new sources of capital for projects.

The CLEAN contract stands out as a perfectly crafted mechanism to make clean energy investment a smarter choice for homeowners, utilities, and developers of renewable energy projects. It can help speed our transition to a clean energy future.
About the Center for American Progress
The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

About the Energy Action Coalition
Energy Action Coalition is a coalition of 50 youth-led environmental and social justice groups working together to build the youth clean energy and climate movement.

Energy Action Coalition and its partners have united a burgeoning movement behind winning local victories and coordinating on state, regional, and national levels in the United States and Canada.

About Groundswell
Groundswell, formerly The DC Project, partners with communities to create places of equal opportunity and environmental balance, building a sustainable future shared by all.

With proven tools and strategies, the organization unlocks the power of communities to drive and shape clean economic development, moving beyond the false choice between prosperity and the health of the world we live in.