

'Is it worth it?' Experts eye economics of wind power



Glenrock Wind Farm Tuesday May 26, 2009

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LARAMIE -- Transmitting electricity over hundreds of miles to market constrains wind energy development, speakers told 600 participants at a conference at the University of Wyoming last week.

So do local, state and federal regulation; and taxation issues, they said.

But Laura Ladd, energy economics advisor to Gov. Dave Freudenthal, noted a major omission to that list.

"Nowhere in here did we hear of economics as a constraint," Ladd said.

Besides electricity, wind power could generate billions of dollars for landowners, the companies that develop the projects, and state coffers, she and other speakers said.

They also cautioned not to count the turbines before they're spinning.

"By having the best wind source in the world is no guarantee we'll have (development)," said BP senior business developer Angus Coyle.

For wind projects to be viable, companies such as BP need their meteorologists to research the wind resources, find suitable locations to minimize conflicts with neighbors, and have a clear permitting path to address environmental and other concerns, Coyle said.

Power companies will need sufficient transmission lines, boost the power as it travels over hundreds of miles, find the markets for the power especially in major metropolitan areas, and make a profit in the process, he said.

"All of that leads to the cost of energy," Coyle said.

"If the cost isn't competitive, you don't sell power," he said.

Wind development isn't a done deal yet, Coyle said. "The question now is whether the market for wind energy has changed enough to make Wyoming wind competitive in (large) population centers."

The difficulties are real, but so is the potential, said Karyn Coppinger of Invenergy Wind Development LLC and chairwoman of the Wyoming Power Producers Coalition.

"Wind will create wealth," Coppinger said.

Landowners will see some income from wind development during the planning and construction phases, but the real money comes with the longterm royalties, she said.

While there are many variable factors affecting turbine siting and efficiency, Coppinger said a 4 percent royalty from a turbine operating at 35 percent capacity creating electricity at \$60 per megawatt hour would yield \$11,000 a year for a landowner. Royalties from a 20-year lease on that one turbine would generate \$1.3 million for the landowner, she said.

Larry Cundall, rancher and chairman of the Glendo Wind Energy Association, said he and his neighbors are preparing for that day.

The Glendo Wind Energy Association with 38 landowners and their 130,000 deeded acres is part of the Southeastern Wyoming Wind Energy Association with its landowners controlling about 700,000 deeded acres, Cundall said.

This strength in numbers will keep costs low for lawyers and contract fees, Cundall said. "It puts landowners in a collective bargaining unit."

Big picture

Looking at the big picture, Ladd said the absence of economic constraints for the maturing wind industry comes largely from three federal tax incentives for wind power development.

Two of those have been in place for a long time, starting with the renewable energy production tax credit approved by Congress and President George Bush in 1992, Ladd said.

Another older incentive changes the depreciation schedules in the federal tax code that improves cash flows of wind projects in their early stages, she said. A related incentive -- the business energy investment tax credit -- was designed to offset the decline in tax equity financing, a practice that fell on hard times in late 2008 with the collapse of financial markets, she said.

The third, and recent, federal incentive came in the form of President Obama's stimulus bill, which allocated billions of dollars for wind development, Ladd said.

Those federal tax incentives provide about one-third of the revenue stream for wind developers, she said.

While that's a large percentage of the revenue, Ladd asked whether the federal incentives substantially help wind development.

"Subsidies help, but in light of the recession and lack of capital financing, probably not much for installed wind capacity," she said.

Renewable energy received the greatest share -- \$4.9 billion -- of all energy subsidies in 2007, compared to \$2.4 billion for refined coal and \$2.1 billion for natural gas and petroleum, Ladd said, citing the U.S. Energy Information Administration.

Wind energy has been receiving subsidies for only 17 years, compared to older fossil fuel and nuclear technologies, she said. "Subsidies for all energy resources are quite high."

According to the U.S. Energy Information Administration, subsidies can encourage producers to bring new technologies to market after which manufacturers can compete on their own.

The United States and Wyoming probably won't know until 2012 whether wind energy will establish a substantial foothold even with the help of the energy production tax credit, the accelerated depreciation schedule, and the current stimulus package, Ladd said.

She closed her speech with a question meant for wind proponents and skeptics alike: "Is it worth it?"

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