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Feed-in tariffs would help expand Michigan solar industry, execs say

By Gary Anglebrandt



At a time when Michigan is looking to diversify its economy and add jobs, people in the state's solar industry say they're ready to grow their businesses -- if given the right incentives.

And the largest North American example of the incentives they're talking about has already taken hold in Ontario.

In May 2009, Ontario passed the Green Energy and Green Economy Act. The feed-in tariffs at the heart of the act allow those who set up solar or wind systems to earn a larger investment return quicker. This is accomplished through guaranteed higher rates for each kilowatt hour of energy produced.

The program also requires that a percentage of the solar or wind equipment used be made locally.

Feed-in tariffs are intended to push development of a renewable energy industry. The boost to the consumer market draws in manufacturers, and that in turn draws in suppliers, proponents argue.

That clustering effect is why "game-changing" incentives for Michigan consumers are needed, Stephanie Burns, CEO of **Dow Corning Corp.**, said during an October speech in Detroit. Incentives to attract solar businesses themselves, such as tax breaks, are not enough, she said.

U.S. global solar market share has dropped from 45 percent to 7 percent in 12 years, and "the world's solar industry players consider the U.S. an emerging market," Burns said.

Midland-based Dow Corning is the majority owner of **Hemlock Semiconductor Corp.**, based in nearby Hemlock, and its presence has provided the gravity to attract a cluster of solar businesses to the Saginaw Bay region.

Hemlock is a major producer of polycrystalline silicon, a material used to make solar cells, but more than half of it gets shipped outside the United States.

The potential for job growth is explosive, said Mary Lou Benecke, Dow Corning's vice president of public affairs. In the countries where Hemlock's polycrystalline silicon ends up, employees are put to work getting the in-demand material into production.

"Nobody's putting this stuff in inventory," Benecke said.

Tariff support for solar

Solar is still an industry dependent on subsidies and incentives, several industry sources said.



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"In this industry, you go where the incentives are," said Ken Fox, president of Rochester Hills-based **United Solar Ovonic L.L.C.**'s business in North and South America. Most of United Solar's customers are also outside the U.S.

FITs are the most effective type of incentive for developing a solar industry, he and other sources said.

"Feed-in tariffs are the most attractive to solar companies for a lot of reasons," including revenue certainty and creditworthy buyers such as governments and utilities, Fox said.

Ontario is the only North American government to establish a large FIT. Ontario's domestic content requirement is about 50 percent, depending on type and scale. The deal guarantees a rate of up to 80.2 cents per kilowatt-hour for 20 years.

The usual market rate is less than 10 cents. The cost of the subsidy is built into the utility rate structure.

In January, a subsidiary of South Korea's **Samsung Group** agreed to invest \$7 billion in solar and wind development in the province. The deal is to yield four plants for manufacturing such products as solar inverters and wind turbines. Ontario's **Ministry of Energy and Infrastructure** expects the deal to bring 16,000 jobs.

More than 20 other renewable energy companies have announced investments in Ontario.

"I'm sure Michigan has lost manufacturers" because of Ontario's initiative, said Mark Hagerty, owner of solar-system installer **Michigan Solar Solutions L.L.C.** in Commerce Township.

Solar panel manufacturer **Grape Solar Inc.** of Eugene, Ore., is setting up in Ontario and taking a consortium of suppliers with it.

Ontario's FIT allows a purchaser of Grape Solar's 10 kilowatt-hour system to receive \$12,000 a year and get a return on investment in three to five years, the company said.

Grape Solar President Ocean Yuan said that because solar assembly lines are relatively simple, he can get a factory line of 50 workers set up in three months.

If Michigan had a feed-in tariff program, "then we would put a factory there also," Yuan said.

One problem with FITs is that domestic content requirements can trigger trade disputes. Japan, the European Union and the U.S. have complained to the **World Trade Organization** that Ontario's act violates trade agreements.

Another concern for Michigan solar players could be Gov.-elect Rick Snyder, who hasn't spoken specifically



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on solar strategy since being elected, but has said he does not favor picking winners and losers through incentives to attract businesses.

Other incentives

Other programs -- run by states, municipalities and power companies -- do exist in North America but are smaller.

Jackson-based **Consumers Energy Co.** began accepting applications for its Experimental Advanced Renewable Program in August 2009. The roughly \$14 million program pays a maximum rate of 65 cents per kilowatt-hour. While it is already fully subscribed, applications are being accepted until the end of the year in case some are withdrawn.

Detroit-based **DTE Energy Co.**'s SolarCurrents program, begun in 2009, pays 11 cents per kilowatt-hour for non-utility customers, but an upfront payment of \$2.40 per installed watt is also paid. Of the total \$25 million in the program, \$22 million was still available as of mid-October.

Fox said a Michigan FIT would be welcome but not necessarily lead to a solar industry boom.

On the other hand, Michigan could benefit from being a neighbor to a solar industry center.

Michigan's excess engineering and factory capacity, as well as the North American Free Trade Agreement, could lead to even greater opportunity, Hagerty said.

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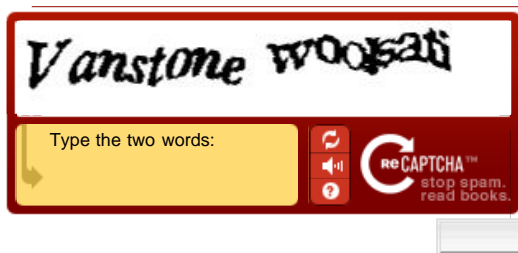
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