

Renewables Trends and Regulatory Updates

September 27, 2019

PRACTICES Energy, Power and Natural Resources

For the first time, total wind generation outpaced coal as a source of power in Texas during the first half of 2019 according to an ERCOT Demand and Energy Report Working Paper, while solar projects and production in Texas have seen significant growth over the last few years. In Q1 and Q2 combined, wind and solar accounted for approximately 22% and 1% of total generation in ERCOT, respectively. This growth can be attributed in part to tax incentives, including the Production Tax Credit (PTC) and Investment Tax Credit (ITC), and corporate initiatives to procure renewable energy through power purchase agreements (PPAs). Although uncertainty surrounding renewables incentives and the pace of development has also increased with the nearing expiration of the PTC and phase down of the ITC, costs of installing solar and wind capacity have decreased, making these resources more competitive. At the same time, Texas has faced unique issues this summer with wholesale power price volatility during peak periods, exacerbated in part by reliance on intermittent wind resources and the reduced supply of dispatchable resources. However, complementarity between wind and solar resources may soon alleviate these pricing issues in light of the accelerating pace of solar development in particular and the higher generation of solar power during peak demand periods.

Renewables Growth and Incentives

The Production Tax Credit (PTC) has been one major driver of wind project construction. The U.S. Energy Information Administration currently projects that U.S. wind capacity additions in 2019 will total 12.7 gigawatts (GW), exceeding annual capacity additions in each of the previous six years but falling short of the 13.3 GW of wind capacity added in 2012 (when the PTC was initially set to expire). While wind facilities commencing construction in recent years have been subject to a yearly phase-down of the PTC, wind facilities commencing construction after 2019 are not be able to claim the PTC. After 2019, solar will continue to qualify for the 26 percent Investment Tax Credit (“ITC”) for projects that begin construction in 2020. Additional details of the PTC and ITC are shown in Table 1.

In addition to the PTC and ITC, corporate renewable procurement initiatives have been a significant driver of renewables development. According to a Wood Mackenzie study, corporate buyers accounted for 22% of all wind and solar PPAs in 2018, for a total of 5.8 gigawatts of renewable power. In particular, the materials, financial, consumer discretionary, and industrial sectors have led renewables procurement and consumption efforts, with numerous companies and municipalities committing to 100% renewables.

To read the full article, download the PDF linked below.

[Renewables-Trends-and-Regulatory-Updates.PDF](#)