



Overseer's Undercurrent: Red States, Blues States, Green States

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Most folks know that half of these here United States plus the District of Columbia have enacted some form of renewable portfolio standard (RPS). Some, however, might be surprised to learn that there are currently only four states with electric utilities that offer zippo "green" power programs to their customers.

The renewables portfolio standard jurisdictions do not line up precisely with the so-called "blue states"--those that tend to vote for the Democratic Party in national elections. However, there is significant overlap. There are the very notable additions of Texas, much of the Southwest, Montana, and Virginia.

Even in what are considered die-hard Republican "red states" of the Heartland and Southeast, there exist a plethora of utility-sponsored renewable purchase programs. North Carolina, for example, features 42 individual utilities and rural cooperatives that sell green power, Tennessee 48, Oklahoma 27, and South Dakota, surprisingly, 30. In all, currently there are 750 utilities across the nation--about one fourth of the total--that offer consumers a renewable energy product.

Because Nevada has a renewables portfolio standard, but no green pricing option, that leaves West Virginia, Arkansas, and Kansas as the only states without state or utility sanctioned support for renewable resources.

In the energy market that's evolving before our very eyes, the major distinction is not between red and blue, but between "compliance" and "voluntary" markets characterized by the renewables portfolio standard and green pricing.

The amazing thing is that even in those three blank states, a large power user--say a Pepsi Cola bottling franchisee, a Starbucks or a Staples, or even the U.S. Air Force--could arrange to purchase renewable energy credits (RECs) that signal their support for green energy. Evidently they are inclined to do so, as each of these large power users appears on the U.S. Environmental Protection Agency's latest list of the Top 25 purchasers of green power.

For the record, the EPA's "Top 10" retail purchasers are: Whole Foods, Kohl's Department Stores, Starbucks, Staples, Safeway, Lowe's, FedEx/Kinkos, Office Depot, REI, and Coldwater Creek.

The entire green market--comprised of utility green products, competitive markets, and renewable credit sales--came to about 11,900 million kWh in 2006, for compound growth from 2005 of 40 percent,

despite a 20 percent decline in competitive green sales last year. Evidently, competitive retail suppliers are being hurt by increased costs of building new facilities (turbine and silicon shortages are to blame) and are pulling out of some markets.

The fastest growing sector is the renewable credits market, which has zoomed from some 660 million kWh in 2002 to 6,800 million kWh in 2006. This is an interesting development because it frees up green sellers from needing a direct transmission/delivery connection with buyers--and turns the physical commodity of electrons into a financial transaction. But it also raises questions about the validity of credits that need to be answered.

Those are just some of the insights I gathered while briefly attending the 12th Renewable Energy Marketing Conference in Philadelphia last week. Unfortunately, I was on a tight schedule, parachuting into the conference to participate in a panel discussion on how green power is portrayed in the media.

The data to back up my opening observations came from a series of new reports by EPA and the National Renewable Energy Laboratory made available at the conference. In particular, I would encourage readers with a voracious appetite for information (an almost total overlap with Circuit clients, I imagine) to track down three brief reports from NREL that together provide a comprehensive picture of the current state of the renewable energy marketplace:

-Trends in Utility Green Pricing Programs (NREL #TP-670-42287);

-Interaction of Compliance and Voluntary Renewable Energy Markets (TP-670-42096); and,

-A Preliminary Examination of Supply and Demand Balance for Renewable Electricity (available only at the conference).

Within these documents you can find a wealth of statistics and intelligence on how green markets have grown (rapidly and continually in both the compliance and voluntary sectors, some 40 percent to 60 percent annual growth in recent years), and which utilities are most successful in promoting green products (Austin Energy and Portland General Electric, is that a surprise?).

Also, you can find out how the available technologies stack up in terms of capacity and generation. They also include some projections of what might happen to costs and consumers' appetites in the near term if the growing demand for green energy outstrips the ability of the market to respond with sufficient supplies.

Statistics and forecasts aside, I can report that the energy level of the conference was quite high and intense. Only four years ago, when I participated in a previous regional iteration of this event, we were fortunate to have 75 hardy souls in attendance. This year, the meeting rooms and lobbies were packed with nearly 400 people eager to trade business cards, work deals, and make the kinds of connections that signal a positive business climate.

There are, of course, growing pains. The panel discussion I moderated on media and perception offered tales of how green power offerings, credits, and the newer carbon offset markets have been misunderstood

and denigrated. We even had a fresh example to hash over in the form of Business Week magazine's recent cover story called "Little Green Lies."

This article, which I won't recount, but urge all to read for yourselves, is essentially the story of a former true believer now disillusioned and turned agnostic about the power of energy efficiency and renewable credits to save the planet and deliver profits overnight.

My take on the article is that it could easily have been titled "One Big Truth" as it closes out with an accurate observation from energy guru Amory Lovins. "The idea that green is fun, it's easy, and it's profitable is dangerous. This is hard work. It's messy. It's not always profitable. And companies have to get off the mark and start actually doing stuff."

In Philadelphia, I found plenty of proof that companies and individuals are more than ready to "start doing stuff."

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