

New Ohio Law Expected to Spawn 5,000-7,000 MW Wind Market

Following unanimous Senate concurrence with an Ohio House bill, legislation to establish a 12.5%-by-2025 renewable electricity standard (RES) is headed to the desk of Governor Ted Strickland (D). The governor is expected to sign the bill, but has offered no public statement regarding the final legislation.

Assuming that wind energy constitutes 75%-95% of the 12.5% standard, the bill would establish a market for between 5,000 MW and 7,000 MW of new wind capacity by 2025. Annual mandatory benchmarks begin with 0.25% in 2009 and 0.5% in 2010, then add 0.5% per year through 2014, followed by an additional 1% per year through 2024. In terms of early-year impact, a reasonable estimate for new megawatts induced by the legislation for 2012 (ostensibly built by end of 2011) would be 650-750 MW.

Inclusion of specific annual requirements in the bill was a major accomplishment for AWEA and AWEA members, as an earlier bill that passed the Senate last fall included no such benchmarks. Following the advocacy of the wind industry, strong early-year benchmarks became a priority for Speaker Jon Husted (R), who then championed them and ensured their inclusion in the final bill. Companies particularly active in the effort included Babcock & Brown, Gamesa, GE, Horizon, Iberdrola, Invenergy, JW Great Lakes, Owens-Corning, and Webcore. "Early year benchmarks were not in the picture when we engaged this legislation in February," said Hans Detweiler, AWEA's manager of state legislation and policy. "Industry did a great job of coming out publicly to support the early annual standards, and that public involvement paid off."

The legislation also has national significance. Ohio, as a major industrial state, ranks fourth in power consumption (behind only Texas, California, and Florida) and this market will move the needle nationally for renewable energy. The legislation can also be expected to jump start interest in wind manufacturing in Ohio's world-class manufacturing sector, which may bring advantages of scale and cost to the whole industry. Furthermore, 25 states plus the District of Columbia have previously enacted mandatory renewable energy standards, so Ohio's addition to this group means that a majority of all states now have such standards. "As Ohio goes, so goes the nation," said Erin Bowser of Environment Ohio.

The renewable energy provisions are generally consistent with national best practices following efforts by Speaker Husted to improve the bill. The bill contains strong enforcement provisions, including "alternative compliance payments" of not less than \$45 per MWh, and requires that at least half of the energy used to satisfy the standard be generated in Ohio (the other half can be from outside Ohio if delivered into the state). The bill also includes a *force majeure* clause patterned on Pennsylvania's, a small solar set-aside that ramps up gradually to 0.5% by 2025, and a 3% cost cap provision. The wind industry's only reservation with the bill was the cost cap provision, which may require close attention during regulatory implementation.

To find the actual legislation, go to Section 4928.64 of the bill, available at:

http://www.legislature.state.oh.us/bills.cfm?ID=127_SB_221

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