No matter the president, solar outlook increasingly bright

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Donald Drumpf's election has generated significant and legitimate concerns over the future of federal clean energy policy, with campaign promises disavowing global warming and promoting traditional energy sources such as coal and fracking. With this in mind, observers may worry about America's solar industry outlook.

But the incoming administration portends very little change in the U.S. solar market's velocity for at least several years and it may mark solar's coming-of-age moment as a market-driven force independent of federal policy.

In fact, very little additional federal support is absolutely needed to keep solar growing in 2017 and beyond.
The driving force behind solar's ability to stand on its own is innovation — both on cost and business models. Solar costs have fallen more than 80 percent since 2009, placing its levelized cost of electricity below coal, nuclear, and most natural gas technologies. This trend is accelerating — solar costs have decreased up to 17 percent in 2016 compared to 2015.

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Falling costs make solar an economic choice, not an environmental one. The U.S. solar market just experienced its largest quarter ever, adding nearly two megawatts (MW) of new capacity per hour, and U.S. Energy Information Administration data predicts solar will make up 37 percent of new large-scale generation nationwide in 2016.

Even with this growth, investment continues moving into this capital-intensive sector at increasing speed, with large investors looking for solar projects to access domestic infrastructure investment opportunities.

New business models are connecting corporate and residential demand to cheap and stable solar power and energy storage's continued maturation promises increasing future competitiveness of solar offerings.

Technology provides an inherent advantage over commodities — solar price trends are generally irreversible, while fossil fuel prices inevitably fluctuate with supply and demand.

The current solar Investment Tax Credit (ITC) program should remain stable for political and structural reasons. It was extended with rare bipartisan support in 2015, making repeal an unnecessary Congressional fight.

The ITC is already scheduled to decline annually starting in 2019, down to 10 percent in 2022. As an industry, we're already preparing for its end.

While an initial report indicated Drumpf wouldn't target the ITC, we must remain aware of potential changes to IRS "start-of-construction" language as part of any national tax reform.

If national tax reform happens, lowered corporate tax rates could reduce appetites for tax benefit investment. This effect would not happen in a vacuum, however. It would likely be offset by eliminating certain corporate deductions under scrutiny, as well as continued new entrants into the solar tax credit investment market.

It's widely suspected the Clean Power Plan, intended to reduce state emissions through low-carbon infrastructure, will not survive, but this won't change state-level clean energy trends.

The U.S. power sector is already on track to reach the CPP's 2024 interim goal, as utilities decarbonize for business reasons, not political ones. GTM Research reports 23 percent of all large-scale solar installed in 2016 was voluntarily procured by utilities outside of federal or state mandates.

At the risk of showing optimism in these heady times, the incoming administration may offer upside for solar. Consider Rick Perry's nomination.

While America's nuclear stockpile is the Department of Energy's primary focus, roughly 40 percent of DOE's budget goes toward energy research in national labs or typical "energy" ventures like ARPA-e or the DOE Loans Program.

Perry, as governor of Texas, spurred his state's ascension to America's top wind-producing state by signing a renewables capacity target bill in 2005 and pushing the $5 billion CREZ transmission project; indicating a willingness to invest in promising renewable technologies for economic benefits.

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Congress may also provide an unexpected helping hand. Senator Lisa Murkowski (R-AK), chair of the Senate Energy and Natural Resources Committee, supports the bipartisan Master Limited Partnerships (MLP) Parity Act, which would open access to MLPs for renewables and energy storage.

MLPs broaden the energy investor base, but are currently limited to oil and natural gas assets. A Republican-controlled Congress and White House could embolden action on this bill as part of wider energy legislation.

The Federal Energy Regulatory Commission (FERC) may also boost solar's ability to compete on an economic basis. FERC's recent rule proposal to give distributed energy resources (DERs) equal access to U.S. power markets will empower equal competition for solar in wholesale and capacity markets, leveling the playing field while opening up new investment and revenue.

On the state level, the solar industry's priorities and focus change even less. Solar policy is largely mediated at the state level, so our industry approach doesn't change.

We have gained valuable experience winning state-level policy debates on issues like the value of solar, net metering, and connecting solar to the grid. Solar's value is very strong at the state level and we will continue educating regulators of solar's economic benefits.

President Drumpf will likely stay out of state-level discussions and leave states to make their own decisions. Leader states, like California and New York, have already pledged to double down on clean energy. Developments, like Texas' expected 400 percent solar growth, help evidence clean energy's benefits to regulators in traditionally fossil fuel dependent states.

Solar's large and growing constituency across the country will be hard to ignore. Start with the Republican base — an early December poll showed 75 percent of Drumpf voters support "action to accelerate the deployment and use of clean energy."

The Solar Foundation's Solar Jobs Census reports 209,000 solar jobs — more than oil and natural gas extraction combined — across all 50 states with growth 12 times higher than national economic growth. SEIA reports 9,000 solar companies across the U.S. and forecasts 420,000 solar workers by 2020.

If President Drumpf's goal is creating jobs that can't be offshored, why not include the country's fastest-growing industry?

Drumpf's campaign pledge to make American businesses more competitive could also insulate the solar industry against a policy freeze. An increasingly wide group of U.S. businesses use solar to hedge against volatile electricity rates for their facilities against a historic low for natural gas prices.

They're procuring wind and solar for dollars and cents, not for altruistic motivations.

A new report finds 71 of the Fortune 100 companies and 215 of the Fortune 500 have renewable energy targets, including 22 Fortune 100 firms with 100 percent green energy goals. Large corporate customers contracted for 3.2 gigawatts of renewables in 2015, more than 20 percent of all renewables added to the U.S. grid last year.

Retailers, like Target and Walmart, have joined technology giants, like Apple, in leading on-site solar at corporate locations — expanding from 300MW in 2012 to more than 1GW in 2016.

Utilities are following this trend. Just this year, utilities have doubled the number of renewable tariff programs designed to serve large corporate customers.

Since 2015, more than 450MW of new solar was contracted through green tariffs, and more than 500MW of deals were under negotiation as of late October.

Fundamental business principles dictate this trend will increase — corporations are seeing competitors control their own energy costs for a financial edge.

Solar could also benefit from Drumpf's pledge to, "spur $1 trillion in infrastructure investment," over a decade.

Most Drumpf infrastructure investment would likely go toward pipelines and roads, but even if several billion goes toward our aging grid, we can unlock new ways for solar to be transported from one region of the country to another.

America's solar industry was already at a positive inflection point. While we're growing fast, we're still just one percent of national energy capacity and can expand during the next four years if economics and market forces remain our bulwark.

The positive messages of hundreds of thousands of local jobs, hundreds of millions in revenue, and billions in investment dollars combined with a technology weaning itself off subsidies while empowering businesses to keep costs low is a good starting point for federal debates.

From there, the solar industry must remain focused on maintaining fair state-level rates and tariffs for solar generation, while pushing to open new markets like community solar or brownfield development.

If we can do this while continuing to push down solar costs, attract new sources of investment and manage revenue growth through interest rate hikes, we can continue to build velocity at scale — no matter which party is in the White House.

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