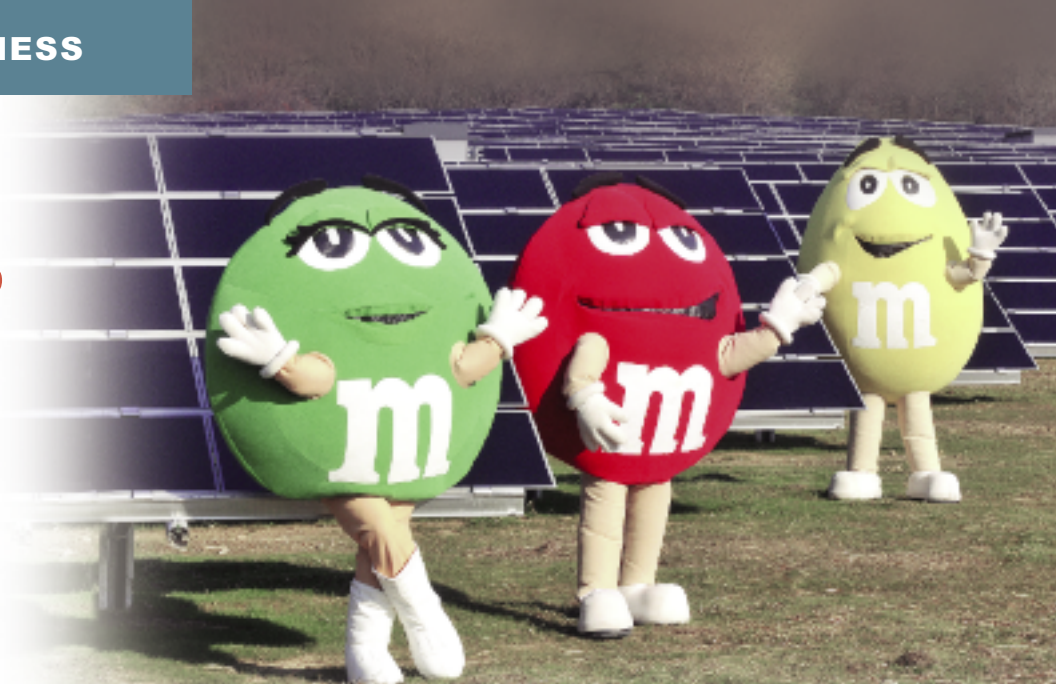


Assessing New Jersey's Appetite for Solar

Hungry for energy cost savings and sustainable power, New Jersey has been one of the most active markets for solar energy. Pictured is the PSE&G-built, solar garden at Mars, Inc.'s headquarters building in Hackettstown, New Jersey.



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IN JANUARY 2010, NEW JERSEY ENACTED landmark legislation setting the stage for the most aggressive solar incentive program in the country. The result was an explosion of solar development, with the state's installed solar capacity increasing by more than 700 percent by the end of 2012. Consequently, the value of New Jersey's market-based solar incentive, the Solar Renewable Energy Certificate (SREC), plummeted and the future viability of New Jersey's solar market was in doubt.

In response to the SREC market crash, New Jersey enacted legislation in the summer of 2012 aimed at stabilizing New Jersey's solar market. Now, almost two years following the passage of the Solar Act of 2012 (the Act), the once explosive rate of new installations has moderated and SREC values have rebounded and stabilized, which has left people wondering about the future of New Jersey's solar market.

The past boom and bust cycle of New Jersey's solar market was a result of New Jersey's reliance on the market-based SREC. The 2010 legislation set up a system whereby every registered solar facility in New Jersey generates 1 SREC for every 1 megawatt hour of electricity produced. New Jersey's retail electric suppliers are required to purchase a statutorily mandated number of SRECs, or pay a fee. In 2010, the fee was in excess of \$600 per SREC, and the statutorily mandated SREC demand exceeded supply.

As a result, SRECs traded for more than \$600 each, which, along with very generous federal tax incentives made even more generous with the passage of the 2009 Federal Stimulus Act, made New Jersey the fastest growing solar market in the world. The rapid pace of solar installations quickly created an oversupply of SRECs, causing their value to plummet to less than \$50 each.

Suddenly, the future viability of the New Jersey solar market was in doubt.

By the summer of 2012 it was clear that, for New Jersey's solar market to remain viable, the SREC value had to rebound and stabilize. The formula for stabilization employed by the Act is simple supply and demand economics: increase the number of SRECs required to be purchased and reduce the supply of SRECs by slowing down the rate of solar installations. The difficulty is finding the right balance between supply and demand such that SREC values stay high enough to support the growth of a healthy solar market without over-stimulating the market to the point that supply once again exceeds demand. Most solar developers set the "magic number" at between \$100 and \$200 per SREC.

The Act addressed the demand problem by more than doubling the number of SRECs required to be purchased by New Jersey's electric suppliers in 2014. The Act addressed the supply problem by severely restricting the amount and size of grid supply projects, commonly referred to as solar farms, which are qualified to generate SRECs. Since the passage of the Act, the pace of statewide solar installations has eased to a healthy and sustainable rate and the value of an SREC has risen to approximately \$170. While it appears that the Act has achieved its immediate goal of stabilizing New Jersey's solar market, another challenge may lie ahead.

Pursuant to the Act, the amount of SRECs required to be purchased by New Jersey's electric suppliers continues to increase at a pace sufficient to support the current install rate for new systems through 2018. Based on the current \$170 SREC value, it would appear that the current install rate has created a stable and sustainable market. Although the SREC purchase requirement of New Jersey's electric suppliers continues to increase

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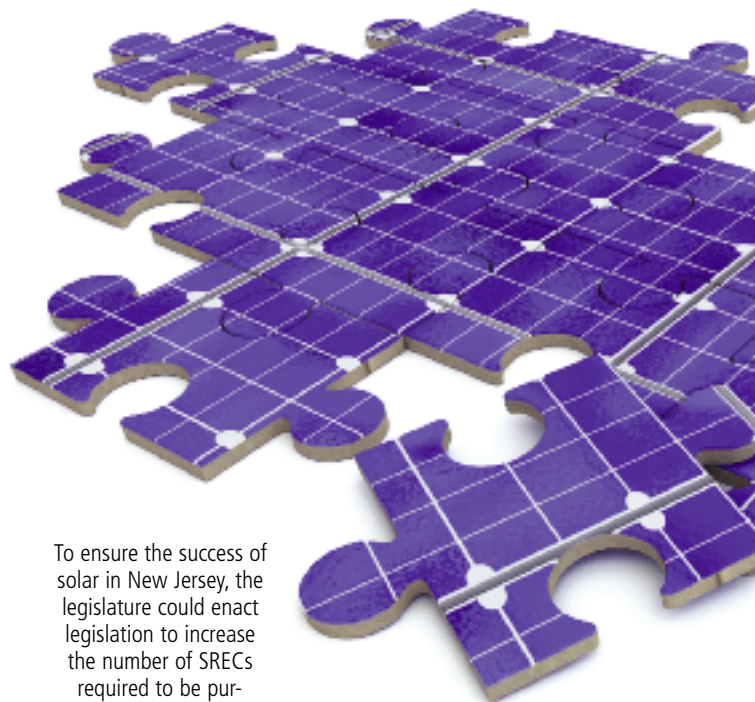
through 2028, the rate of increase slows significantly in 2019 and beyond.

There is a hidden danger that the reduction in the annual increase of SREC demand may upset the delicate supply and demand balance that the market currently enjoys. One way to avoid the potential negative effect of the impending drop in SREC demand is for the New Jersey Legislature to enact legislation now to increase the number of SRECs required to be purchased by New Jersey electric suppliers in 2019 and beyond.

By acting now, the legislature can take a significant step toward maintaining the market stability created by the Act, which will serve to support the jobs and tax revenue generated by the New Jersey solar market as well as continue to assist New Jersey in achieving its renewable energy goals.

Will the reduction in the annual increase in SREC demand in 2019 and beyond result in another rough patch for New Jersey's solar industry? Absent legislation, time will tell. ■

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To ensure the success of solar in New Jersey, the legislature could enact legislation to increase the number of SRECs required to be purchased by New Jersey electric suppliers in 2019 and beyond.

Amberjack Solar Energy Acquires Sun Farm Network

For more information on Amberjack's unique financing solution, please visit www.amberjacksolar.com, or call (877) 901.7657.

AMBERJACK SOLAR ENERGY—A LEADING DEVELOPER and financier of solar projects with headquarters in Oakland, New Jersey, and additional offices in Washington, New Jersey—recently acquired Sun Farm Network.

"We are excited to have some of the key personnel from Sun Farm Network join the Amberjack family, and bring with them their decades of experience," says Amberjack Solar Energy President Lance Kulick.

As a result of the merger, Amberjack Solar will own the largest and longest running portfolio of solar projects on the East Coast, and Sun Farm Network will become its wholly owned subsidiary.

Together, Amberjack and Sun Farm Network will recognize economies of scale, and the combined firm will become more efficient and offer a unique financing business model—a simple, low-cost way to purchase solar electricity pioneered by Sun Farm Network.

"Amberjack will continue to build quality systems,

which surpass industry production standards," according to Kulick, "and service additional areas from additional offices in Maryland, Massachusetts, Pennsylvania, Connecticut, New York and Puerto Rico."

Sun Farm Network is one of the creators of the New Jersey Solar Renewable Energy Certificates (SRECs) market, and one of its 2004 solar installations produced and sold the first SREC.

"With SREC prices lower than they were a few years ago, being able to build out systems competitively is key in making solar attractive to our clients," explains Kulick. "In addition, by providing unique financing solutions for our clients—no cash outlay and immediate savings on electricity rates—we are able to provide guaranteed positive returns for our clients."

Amberjack has, to date, designed and installed more than 75 megawatts of solar power, and has close to 100 megawatts of systems enrolled in its Operations & Maintenance program. ■

