

INVESTING TO RE-ENERGIZE OHIO

EXECUTIVE SUMMARY

Ohio uses a large amount of energy, most of it from fuel produced elsewhere. We rank fourth among states for industrial energy use and sixth for total energy consumption. We import two-thirds of our coal, 89 percent of our natural gas, and 98 percent of our oil and petroleum products. At current energy prices, Ohioans send \$20 billion a year out of our state economy. To make our economy more energy independent—by becoming more efficient, self-sustaining, and renewable—Ohio should expand its clean energy fund.

Clean energy funds, such as Ohio’s Advanced Energy Fund, help break down market barriers standing in the way of meeting renewable energy goals. Gov. Ted Strickland proposed a plan for “Energy, Jobs, and Progress for Ohio” that would require 12.5 percent of Ohio’s energy to come from renewable energy sources such as wind, solar, and biomass. While Policy Matters Ohio supports a stronger standard—20 percent of all energy in Ohio should come from renewable energy—a strong fund complements either standard.

Eighteen states use clean energy funds to encourage consumers and suppliers to invest in clean energy products and services: by reducing equipment costs through use of consumer rebates, grants, and low-interest loans; by conducting statewide public-awareness campaigns; by providing incentives for industrial recruitment, retention, and production; and, by training workers for the green economy. The American Council for an Energy Efficient Economy (ACEEE) reported that for every public dollar spent, public benefits funds for clean energy leverage an additional \$3 in related business and consumer investment.

Clean Energy Funds range from \$2.3 million to \$440 million dollars per year across the 18 states. Together these states and Washington, D.C., set aside nearly \$2 billion a year for clean energy projects. A surcharge on Ohio electric utility bills, currently adding 9 cents to every customer’s monthly bill, generates \$5 million each year for Ohio’s Advanced Energy Fund and puts Ohio at the bottom of the pack. Other industrial states collect more money than Ohio annually—Michigan over \$66 million, New York \$175 million, and Wisconsin over \$82 million. Pennsylvania’s governor has proposed an \$850 million energy fund (\$72 million from utility surcharges leveraging \$850 million in bonds). The most comprehensive state programs collect 2 to 3 percent of total utility revenues. In comparison, Ohio spends less than 0.3 percent on clean energy. We do spend in other ways: \$12 million yearly for low-income household weatherization and energy-efficiency and \$65 million over the past 5 years for energy-related research and development, but Ohio’s Advanced Energy Fund should be strengthened.

The Advanced Energy Fund, housed in the Ohio Department of Development’s Energy Office, uses grants, contracts, loans, linked deposits and production incentives to encourage renewable energy. Residential customers, housing developers, commercial and industrial businesses, local governments, educational institutions, nonprofit entities, and agricultural customers can apply. However, only investor-owned electric utility customers are paying into the fund, and eligible to apply, so the program is not available statewide.

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POLICY MATTERS OHIO

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Total revenues collected from utility surcharges, since the Advanced Energy Fund's inception in 1999, exceed \$77 million (with residential consumers financing the bulk of the fund). Approximately \$8 million has been deposited in banks and used to lower interest rates on consumer loans (the deposits will be returned but the \$1.85 million in interest accrued is sacrificed). Almost \$3.5 million has been allotted for grants. Twenty million dollars is set aside for projects in process, such as making a new low-income housing project more energy efficient. Since the Advanced Energy Fund got off to a slow start—due to its modest size, administration difficulties, and economic conditions—funds sat for some time, and Ohio's legislature transferred or set aside \$24 million of that \$77 million for other programs. Although some of those transfers relate to the fund's purpose, such as biodiesel for school buses, most were used to meet budgetary shortfalls for non-related purposes.

The funds spent on clean energy indicate potential for more far-reaching gains. A little over \$5 million in Advanced Energy Funds leveraged an additional \$21 million in outside investment. Ohio consumers eagerly took advantage of the funds to invest in energy efficiency, solar power, wind power, and biomass equipment. Recently, \$5 million in grant funding was allocated from the Advanced Energy Fund to aid in the creation of two large-scale wind farms that will help provide electricity to 45,000 Ohioans.

Ohio's Advanced Energy Fund, small as it is, will halt in 2011. The Advanced Energy Fund should be expanded, made permanent, and used to encourage both the supply of and demand for energy efficiency improvements and renewable energy systems. A \$0.003 per kilowatt-hour surcharge on energy use would generate an annual fund of over \$465 million—representing about a \$2.80 monthly increase for the average residential consumer.

RECOMMENDATIONS FOR AN EXPANDED ADVANCED ENERGY FUND

- Implement a statewide outreach campaign to educate the public on energy efficiency and renewable energy (both consumers and suppliers). Use Advanced Energy Funds to offer free energy audits to Ohioans.
- Market consumer incentives such as simple customer rebates for green products.
- Collect Advanced Energy Funds from all utility customers, not just investor-owned.
- Provide low-income residents with solar thermal water-heating systems.
- Provide more financial incentives for suppliers and potential suppliers of green energy products and service to expand Ohio's green supply chain.
- Promote economic development by providing "green incentives" with Advanced Energy Funds. Instead of offering dollars to lure companies, offer wind turbines or rooftop solar panels to reduce their energy costs and consumption.
- Create a Green Jobs Corps program that provides green employment services and also weaves together vocational skills training programs, union apprenticeship programs, and recognized pre-apprenticeship programs for job seekers.
- Encourage the creation of a federal national public benefits "matching fund."
- A strengthened and expanded Advanced Energy Fund would improve Ohio's economy and reduce our need to import expensive and polluting fuels.