

Glossary of Common Renewable Energy Financial Terms

This is an abridged list of commonly used business terminology associated with renewable energy projects. It is not intended to be exhaustive, nor should it be used as an exclusive source of business development and / or investing information. You should consult with an industry expert to understand the risks involved prior to making any investment.

Depreciation: Renewable energy equipment is entitled to special depreciation schedules.

Distributed Generation: The generation of electricity from several smaller sources. The sources can also be mixed through an individual entity. For example, a producer may sell solar power from several different locations, along with wind, and hydro, to the utility market.

Feed-In Tariff: Similar to production-based incentives, the term is used in Europe and Asia.

Grants and Guaranteed Loans: There are many federal, state, and local incentives available for renewable energy, including grants, and guaranteed loans.

Incentive Tax Credit (ITC): This is a federal tax credit to corporations, which provides a tax credit equal to 30% of the total solar installation cost. ITC also applies to wind, geothermal, and cogeneration technologies. Each technology can be incentivized differently.

Independent Power Producer (IPP): IPPs are interested in utility scale power production. The rates are negotiated through a power purchase agreement with the utility company. The investments are typically larger than for residential or commercial installations.

Net Metering: Net metering is the process by which a single meter measures power flowing into or out of a business or residence. When energy consumption is greater than production the balance is made up from the grid. When energy generation is greater than the energy consumption, the power meter spins *backwards* and excess energy is sold to the grid.

Power Purchase Agreement: A power purchase agreement must be negotiated between the independent power producer and the utility company. The rate negotiated can vary for time of day, whether the resource is immediately dispatchable, whether storage is incorporated, etc.

Production-Based Incentives: Solar power production is incentivized in many states, including the state of Washington. Revenue from energy sold to the grid is paid to the producer a higher price than power purchased from the grid if it's generated with solar power.

Residential and Commercial Power Producer: The business will be decided by retail rates for the energy produced. These can vary sharply from region to region and depending on the technology deployed. For example, a Washington state power producer using panels and inverters from Washington companies can sell energy back to the grid at a higher rate.

Renewable Energy Certificate (REC): RECs are non-tangible energy commodities. One REC is earned for each megawatt of renewable energy generated and sold to the grid. RECs can be kept, traded, or sold.

Residential Renewable Energy Tax Credit (RRETC): This is similar to the ITC, but intended for residential applications.