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Solar photovoltaic incentives outlook in Mass. after 2011

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On January 1, 2012, the federal government's current 100% bonus depreciation incentive for renewable energy systems will be reduced to a 50% bonus depreciation with a Modified Accelerated Cost Recovery System (MACRS) schedule thereafter.

The Federal Investment Tax Credit (ITC) will not expire until December 31, 2016, however the federal treasury grant in lieu of the ITC (the Cash Grant) expires on December 31, 2011. We do not yet know whether the federal government will extend the Cash Grant into 2012, and they will likely wait until this December to announce that decision.

In Mass., solar renewable energy credits (SRECs) are currently trading at more than \$500/MWh. The supply of SRECs is low, resulting in a high demand by Mass. investor owned electricity utility companies (IOUs) to purchase SRECs. While the demand stays high, the trading prices for SRECs will remain elevated.

The IOUs are obligated to account for the credits of net metering up to a total of 3% of their historic peak load. Once the IOU reaches this threshold, they are not obligated to continue to provide net metering credits to new renewable energy facilities. The IOU's interconnection data shows that the aggregate capacity of eligible net metering facilities is nearing the 3% limit.

While some incentives are scheduled to expire or diminish in value, the good news is that solar equipment pricing continues to fall. It remains to be seen whether this decrease can offset the gap from the fading incentives.

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