

This governor's legacy runs on clean energy

Renewable sources - Kulongoski pushes a sweeping plan to help Oregon catch up to and move ahead of other states

Sunday, February 11, 2007

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FACTBOX

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SALEM -- Former Gov. Tom McCall had the bottle bill. Former Gov. John Kitzhaber had the Oregon Health Plan. By the time he hands the office keys to his successor in 2011, Gov. Ted Kulongoski says, he wants Oregon to be the clean energy capital of the nation.

Kulongoski's vision: Bustling rural refineries turning canola seeds into biodiesel. Buoys the size of refrigerators bobbing off the Oregon coast, turning waves into electricity. And thousands of people employed in new jobs aimed at slowing the pace of global warming and breaking the nation's addiction to foreign oil.

Kulongoski says he'll keep schools and health care at the top of his priority list, as will every governor who comes after him. But he says he wants "to do something that dramatically changes the way we are, for the better" by making Oregon the leader in alternative, renewable energy.

"That," Kulongoski says, "is the legacy issue."

It won't be easy. Oregon is starting behind California, which recognized the potential of windy corridors and sunny skies years ago. Scores of other states also are racing toward the same goals and vying for the same markets. Plus, Kulongoski has to pit his leadership against some of the most powerful interest groups around -- oil companies and big energy users, such as Weyerhaeuser and Intel.

Kulongoski contends his energy plan would establish the most rigorous requirements in the nation for renewable energy use and offer some of the most enticing tax breaks for things such as wind power and crops that can be turned into biofuel.

The centerpiece is a requirement that the state's largest utilities acquire ever-increasing percentages of their electricity from renewable sources such as wind, geothermal and solar. Specifically, 15 percent of a utility's retail sales would have to come from renewables by 2015, 20 percent by 2020 and 25 percent by 2025.

To help achieve those numbers, the governor wants to boost the tax credits companies receive for installing or improving renewable energy systems, from 35 percent to 50 percent on projects costing as much as \$20 million.

Rounding out the proposals is a bill that would offer tax incentives to grow crops, such as canola, that can be used to make a cleaner-burning diesel, and to set up plants that turn imported field corn into ethanol. Once Oregon produced enough biofuel, gas stations would be required to sell products blended with ethanol and biodiesel.

"If this package of bills passes, Oregon would move to the head of the nation as far as renewable energy policies go," said David Van't Hof, Kulongoski's adviser on sustainability issues.

Behind the pack

At the moment, however, Oregon has some serious catching up to do. More than 20 states, including Washington and California, already have renewable-energy mandates. California's requirement, established in 2002, is set at 20 percent by 2010.

And other governors are working on their own legacies. At her inaugural speech, Kansas Gov. Kathleen Sebelius pledged to make her state the nation's leader in wind energy production. Colorado Gov. Bill Ritter has called for doubling his state's renewables mandate to 20 percent by 2015.

But Kulongoski says Oregon -- with its sprawling farm fields, its famously windy Columbia River Gorge and its nearly 400 miles of coastline -- offers the best combination in the country for green energy and alternative fuels. He says he hopes his plan will restore the state's fading reputation as a national and world leader in innovative environmental laws.

The plan offers not just mandates and incentives, but a glimpse at the future of energy production in a world troubled by climate change and tensions over oil.

For example, the governor wants to channel \$5.2 million into wave energy, boosting research and commercial development of the new technology. Researchers at Oregon State University have built large prototype buoys that transfer the motion of ocean waves into electricity. They envision floating fields of these machines just out of sight of Oregon's beaches, eventually producing enough electricity to power 1 million homes.

Even with hefty tax incentives, Oregon will have difficulty outpacing other states in the rapidly growing biofuel industry. Although canola grows well here, a lot of farmers consider it a pest because it contaminates other high-value crops, such as grass seed and vegetables.

And the type of corn that lends itself to ethanol requires more heat than Oregon's climate gives, says Russ Karow, an Oregon State University soil scientist.

"You can't take a Midwest model for ethanol or for biodiesel and transplant it to Oregon," he says. "That doesn't make a lot of sense."

What does make sense, Karow says, is for Oregon to push its willingness to innovate. Wheat, which grows well in Oregon, can be fermented into ethanol, but on a smaller scale. Instead of big, centralized biofuel refineries, Karow says, Oregon could distinguish itself by building many small-scale plants that produce fuel for local use.

"We need to do it, but we need to think smart," he says.

Clean-energy advocates say Oregon doesn't have to grab the top spot to benefit from the state's efforts to go green. And they generally agree that Kulongoski's agenda, if successful, would go a long way in establishing first-tier status.

"I'd have to say the leader is California," said Marc Krasnowski, a spokesman for the Northwest Energy Coalition in Seattle. But, he adds, "certainly, Oregon can be a major player."

Clearly, Kulongoski has grounded his agenda in the environment. But he also promises widespread economic benefits as businesses linked to biofuels and renewables multiply and prosper.

A high-profile example: the wind-farm boom in the Columbia Gorge, where tall, sleek turbines have popped up at record-breaking rates, churning out hundreds of megawatts of electricity. The fast-growing industry has pumped property taxes into rural communities, added a welcome jingle to farmers' pockets, and spurred the development of support businesses in urban Portland.

Are there money and jobs to be had in alternative energy? "Yes," says Joe Cortright, a Portland-based economist who studies emerging industries. "It won't be the largest industry in the state in five years, but it can have a significant effect."

Kulongoski's proposed tax breaks have drawn the interest of some heavy hitters, including Goldman Sachs, which owns Horizon Wind Energy, a wind development company active in the Gorge. The investment banking firm recently sent representatives -- including former congressman Dick Gephardt -- to the governor's office to tout the industry's economic clout.

When Kulongoski described the meeting later, he said Gephardt wasn't talking about mere millions in new investment. "He was talking about \$1 billion."

Kulongoski says that kind of money more than makes up for his proposed tax breaks. The energy tax credits would shave an estimated \$1.9 million from revenue expected to flow into the upcoming two-year budget. Credits for biofuels-related tax breaks would cost an additional \$5.8 million.

So far, the governor's energy plan has gotten red-carpet treatment at the Legislature, especially among the governor's Democratic colleagues, who control both chambers.

"It's definitely a priority," said Sen. Brad Avakian, D-Bethany, who has vowed to shepherd the renewable standards bill through the Environment and Natural Resources Committee, which he chairs. Lobbyist Mark Nelson, who represents some of Oregon's biggest electricity users, says his clients are all for expansion of renewable energy but are leery of mandates.

"We'd prefer to see goals and targets," Nelson says, contending that mandates lock up the market and drive up prices. "It's going to be billions of dollars" in increased energy costs over 10 to 15 years, he says. "Oregonians are not going to stand still for something that unarguably increases their rates."

Avakian admits the renewables bill is complex and probably will prove contentious. He anticipates a fight from semiconductor makers, paper companies and other heavy users of electricity, but he's unswayed by arguments that the mandates will drive up production costs.

"In the long run," he said, "it's going to be cheaper and more reliable."