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You may have read or heard lately that solar panel installation may not be cost-effective for businesses. For those who want to help the environment and save money on energy costs, solar can still be a good investment, if your approach is for long-term benefits and not a short-term return on investment.

Over the past several years, business owners were able to install solar panels with the enticement of a full return on their investment in under three years. This was due to very high prices for SRECs – Solar Renewable Energy Certificates – purchased mainly by electric utilities to meet

New Jersey’s aggressive alternative energy requirements, coupled with a federal grant that provided a cash grant for up to 30% of installation costs. These incentives caused a massive influx of solar installations in New Jersey, driving SREC prices down from a high of \$650 to a current value of approximately \$200. Still, solar installation, coupled with energy conservation activities, remains an excellent way to aid the environment and provide energy savings.

Under current SREC market conditions, most solar installations will pay for themselves in seven to 10 years. The federal grant providing cash for 30% of the qualified energy facility costs, known as the 1603 Grant, expired at the end of 2011, but 30% tax credits will continue until 2016. In addition, bonus depreciation up to 50% of the

qualified energy facility cost can be taken by qualified taxpayers who have systems installed and operational before October 2012. With current incentives, solar facility owners can expect to enjoy the benefits for up to 20 years, while paying little or nothing for the electricity produced and receiving SREC income for the first 15 years.

A business or property owner who doesn’t want to use their own credit to purchase the solar facility can enter into a Power Purchase Agreement (PPA) with a power provider, where the property owner receives the electricity but does not own the system. These transactions involve additional complexities, so it would be wise to consult with an attorney to avoid pitfalls. ●



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