



Stanford eCorner

Incentives for Solar Explained

Lyndon Rive, *Solar City*

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SolarCity Co-Founder and CEO Lyndon Rive explains how incentives put in place by the U.S. government helped establish the clean-energy market. In conversation with DFJ Founding Partner Tim Draper, Rive also discusses the importance of taxpayer subsidies on residential and business customers, and of the need for more comprehensive laws penalizing polluters.



Transcript

So, at the start, solar did get incentives, and most of the states offered rebates. So the two primary incentives is the state incentive and the federal incentive. The state incentives helped initiated the market, and it was really, really important. In California, there was the Million Home Solar Initiative. That worked really, really well-- not quite a million homes, but it the start of it. And it was a billion-dollar program. The plan was that program to last for 10 years. It only lasted for about six and a half, seven years. But the industry did its job, so the industry reduced its cost as the state incentives reduced. And now, for the last three years, there's been no state incentives in California.

Most of the states, for the last three years, haven't had any state incentives. So the only remaining state incentive right now is the federal tax credit, and the federal tax credit has a 30% tax credit for solar systems. And that's going to be expiring in 2016 for residential owners, and for commercial it's going to go from 30% down to 10 percent. I hope that doesn't happen. It will be bad policy if it does happen. But we are preparing for that it actually does happen. Oh, you said it will be happening? It's going to happen. It's going to expire. Oh, it'll expire, but is there a possibility-- the choice is, do they renew, or do they pull it away? It's going to expire unless D.C. makes a change.

And there's a fair amount of deadlock right now in D.C. But I think it won't get renewed. I give it a higher probability than not that it doesn't get renewed. If we look at the problem we need to solve, climate change is a real big problem. I don't know how many storms it will take for us to realize this. I don't know how many fires it will take before we realize this. Like, how catastrophic does it have to be before we go, oh shit, we have no choice but to react? I think the signal will be loud enough right now. But it looks like we have to turn the signal up even further. So hopefully, we don't have to. But the bad policy would be not to continue with that, as we have the solution to the world's biggest problem.

And if we stop it, I think 20 years from now, we'll go, OK, we had the solution, and we decided not to fix it because of a tax delta between 30% and 10% percent? That'd be crazy. Now, the true best solution to do is not to extend the federal tax credit for solar-- don't have it-- but penalize those who are killing us, who are polluting the atmosphere. Like, pay for the pollution. It's very basic. If the pollution was a liquid, you'd have to pay for it. Because it's in air, you don't have to pay for it. So pay for the pollution. And so that would be, essentially, a tax on carbon. But based on the political influence, I think there's a low probability of that happening. So if that can't happen, then continue incentivizing those who are providing energy that is not bad for us.