

SPECIAL BULLETIN: Complicating Issues Buffet North Carolina's Wind Energy Projects

April 19, 2012

Just a few short years ago, the prospects for wind energy projects in North Carolina seemed extremely bright. With the strongest offshore wind resources of any state on the east coast, North Carolina was expected to lead the pack in the leasing of federal offshore areas. State Energy Office Director Bob Leker was quoted as stating that a call for interest in leasing offshore North Carolina tracts should be issued by the U.S. Department of the Interior, Bureau of Ocean Energy Management ("BOEM"), in the fairly near future. Also, the General Assembly mandated the use of wind and other alternative energy sources by North Carolina utilities in Session Law 2007-397 (commonly referred to as "Senate Bill 3"). Thus, the rush to construct wind turbines and generate emission-free "green energy" in North Carolina looked like a sure thing.

However, while the long-term future for wind energy remains positive, several complicating issues have emerged in the short term that may slow its development in North Carolina.

First, the federal incentives that have helped make wind turbines economically feasible expire this year, with prospects for their renewal somewhat uncertain.

Second, the Senate Bill 3 mandate that alternative energy sources account for a certain percentage of a North Carolina utility's energy mix may be eased by the General Assembly.

Third, North Carolina's flagship project, the Desert Wind project in Pasquotank and Perquimans Counties (planned by the Spanish wind energy company Iberdrola Renewables, LLC), has been unable to date to negotiate a satisfactory Power Purchase Agreement with Progress Energy or other regional utilities. Without a buyer for the electricity generated by the project, Desert Wind is on hold until conditions improve.

Fourth, the price of natural gas, which competes with wind energy as a "clean" fuel, has been dropping in recent months. This price decline has been brought about by the rapid development of extensive shale gas reserves in several states including Pennsylvania, Ohio, Texas, Louisiana, Arkansas, and Montana. As recent news stories have pointed out, North Carolina could be next to become a producing shale gas state. If natural gas continues to glut the energy marketplace, it may be difficult for wind energy projects to "get the blades moving."

Lastly, projects in coastal North Carolina must contend with the presence of extensive military-restricted airspace. Wind turbines towering as high as 500 feet can interfere with low-flying military aircraft by presenting physical obstacles as well as causing radar problems. The United States Marine Corps has attempted to identify the areas in eastern North Carolina that are safe for wind turbines, but the presence of military airspace substantially reduces the area available for wind energy development. In part because of military airspace restrictions (as well as adoption of a highly restrictive county ordinance), the very early three-turbine Golden Wind Energy Project in eastern Carteret County never was constructed.

Current obstacles aside, there are a couple of wind projects proposed for North Carolina that appear to be

moving forward. Invenergy, LLC, which claims to be the world's largest independent wind power generation company, has proposed a 49-turbine project in Beaufort County (in the same area as the Navy's well-publicized and ill-fated Outlying Landing Field was proposed to be located). The Invenergy project recently received approval by the North Carolina Utilities Commission, but still faces local opposition. Also, Wind Capital Group has proposed construction of a 44- to 94-turbine project in eastern Pamlico County. This project is still in the land-leasing stage.

While the wind power form of alternative energy has been buffeted by issues that have, at the very least, temporarily slowed its development in North Carolina, wind energy still offers the prospect of re-shaping North Carolina's energy profile, and interest remains strong.

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