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Kildegaard to research Denmark's wind energy policies

Summary: Kildegaard will conduct research on Denmark's wind energy policies as model for west central Minnesota economic development.

(June 21, 2007)-Wind is the fastest growing source of energy in the world. From scenic vistas in Germany to rigs off the coast of Ireland, innovatively designed wind turbines are producing clean, affordable, renewable power—and financial opportunity. Across the United States, the stage is set for major advancements in wind energy production. Arne Kildegaard, associate professor of economics, purports that the worldwide wind energy trend has the potential to create a viable local enterprise on the west central Minnesota prairie. In August 2007, Kildegaard will travel to Denmark, one of the world's leading countries utilizing wind energy, to research and study the successful Danish model for community and local wind energy ownership.

Minnesota wind energy legislation

Economic opportunities with the magnitude of wind energy infrequently present themselves in rural Minnesota, says Kildegaard. The recent legislative bill mandating 25 percent of Minnesota's energy needs must be met by wind by the year 2025 will require additional turbine construction and increased wind production.

From an environmental point of view, the legislation is very positive. From a rural economic development perspective, a possible downside may be that the legislation includes no requirement regarding where or from whom the wind energy will be obtained. Potentially, out-of-state companies or large corporations rather than local farmers, area partnerships, or regional cooperatives could own all of the anticipated new wind development in Minnesota.

Kildegaard states the obvious: "It would be better if those profits were staying local."

Percentage versus price

Minnesota wind energy policy, which is typical of the approach taken elsewhere in the U.S., focuses on compelling the utilities to acquire a certain percentage of their power from wind. Kildegaard argues that this focus encourages the utilities to deal with other utilities in the wind development business, rather than with local ownership groups.

"Traditionally, the way it has been set up has not been amenable for receiving wind energy produced on a local scale. I've been making the case to legislators that it essentially pits the local farmer against large corporations. Historically, utility companies prefer to negotiate power purchases with large corporations—one big contract that fulfills energy needs," shares Kildegaard.

At the Riso National Laboratory in Roskilde, Kildegaard will research the European model in which the focus is on regulating the price, rather than the quantity of wind. Price regulation, he claims, provides the foundation for a system

that could be far more economically beneficial to rural Minnesota. A set price virtually eliminates the need for the arduous negotiations that local ownership groups must currently engage in with utilities, and generally allows smaller wind energy producers to “navigate the electricity industry,” states Kildegaard.

In Denmark, where such a price model is followed, local cooperatives own 80 percent of the installed turbines.

Local versus corporate

During the summer of 2006, Kildegaard and Josephine Myers-Kukindall '05 conducted a wind energy study comparing corporate ownership versus community or local ownership. Their research, using regional data, projects that locally owned wind production has four times the economic impact on local value added and almost three times the impact on local job creation. Kildegaard's yearlong sabbatical will be conducted in a country that illustrates those findings.

The Danish wind industry produces 20 percent of the nation's electricity (compared to one percent in the U.S.) and employs more than 20,000 people. Ninety percent of the wind turbines manufactured in Denmark can be found around the world, including the West Central Research and Outreach Center turbine located on the ridge outside of Morris, Minnesota, generating electricity for the UMM campus.

Photo: Arne Kildegaard, associate professor of economics

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