

# LED Rebate Funding Shortfall Hits Cannabis Lighting Vendors Hard

## Funding Shortfall Halts Popular LED Rebate Program for Indoor Farmers, Leaving Companies Unpaid

Xcel Energy's LED rebate program, aimed at supporting indoor farmers—including cannabis cultivators and other indoor crop growers—has proven to be so successful that it has outstripped available funds. The Minneapolis-based utility company launched the rebate program to encourage growers to switch to energy-efficient LED lighting, promising rebates to offset installation costs. However, due to unexpectedly high demand, Xcel recently announced that it no longer has sufficient funds to pay out rebates for completed projects. The program, initially rolled out in Colorado, Minnesota, and New Mexico, offered growers up to 70 cents per watt of installed LED lighting, an incentive that quickly gained traction in the indoor farming community.

The funding shortfall has left cannabis ancillary companies, such as Arizona-based Scynce LED, with substantial financial burdens. Scynce LED, which provides lighting solutions for indoor agricultural businesses, reports that it is owed approximately \$500,000 in rebates for projects completed under the program. The funding gap has put companies like Scynce in a difficult position, as they await payment that may not come until at least 2025.

### How the LED Rebate Program Worked

Xcel's LED rebate initiative, launched between mid-2022 and early 2023, offered rebates for indoor agriculture operations, including cannabis cultivators looking to upgrade to energy-efficient lighting systems. The program provided significant rebates for retrofitting or new construction projects using horticultural LED lights, encouraging indoor farmers to replace older lighting types, such as high-pressure sodium (HPS) and metal halide (MH) systems, with LEDs. These rebates reduced the cost barrier for farmers wanting to implement LED lighting, which is more energy-efficient and generates less heat, ultimately lowering cooling costs.

Scynce LED, like many other companies, took advantage of this program by financing and installing lighting systems for clients who could not pay upfront. The company expected reimbursement through Xcel's rebate program, which allowed it to offer energy-efficient upgrades to its clients at minimal upfront cost. However, Xcel's announcement in mid-2024 that the rebate program would be temporarily suspended has left Scynce and other companies waiting for compensation.

### Xcel Energy's Response to the Funding Crisis

In response to the sudden funding shortfall, Xcel has paused the program while conducting an internal audit to better assess current and future demand. This audit aims to understand the unexpected popularity of the program and explore ways to meet funding needs moving forward. Xcel has received approval from state

utility regulators to shift \$34 million from its 2025 energy rebate budget to address the shortfall. However, it is unclear when companies like Scynce will receive payment.

According to Xcel, the program's high demand is indicative of its success in helping customers save energy and reduce electric bills. Xcel has stated that they are reviewing applications submitted before the pause and are working to reopen many of its energy-saving initiatives. Despite the temporary halt, Xcel emphasized its commitment to cost-effective energy measures that benefit its customers.

### **LED Lighting Benefits for Cannabis Cultivators**

The LED rebate program was particularly appealing to cannabis cultivators, who benefit from energy savings and reduced cooling costs associated with LED lights. Cannabis grows typically consume a large amount of electricity, with lighting and cooling costs accounting for a significant portion of operational expenses. Switching from traditional lighting, such as HPS, to LED lights can result in energy savings of up to 30-40% for some cultivators, drastically reducing monthly utility bills.

LED lights also produce less heat than traditional lighting systems, which reduces the need for extensive cooling systems and improves temperature control within growing environments. This benefit not only cuts cooling costs but also reduces the frequency of issues such as plant stress, nutrient loss, and mold growth—all of which are crucial for cannabis cultivation. Cannabis growers who have participated in the program report substantial cost savings and improved growing conditions, reinforcing the value of energy-efficient lighting in the industry.

### **Alternatives for Cannabis Farmers Affected by the Rebate Freeze**

While Xcel's rebate program remains in suspension, cannabis growers and other indoor farmers seeking LED upgrades still have options. Boulder County, Colorado, for instance, offers its own rebate program to support energy-efficient upgrades beyond what Xcel can provide. In addition, Colorado's Department of Energy has implemented the Cannabis Resource Optimization Program (CROP), which provides low-interest financing to cover out-of-pocket expenses that rebates do not cover. This program allows cultivators to access the funding necessary to implement energy-efficient systems even in the absence of Xcel's rebates.

Other states have also experienced similar issues with rebate programs that became overwhelmed by demand. In Oregon, for example, energy rebate caps were put in place a few years ago to ensure that more growers could access smaller rebates rather than having a few projects claim large amounts of funding. Industry experts believe that Xcel may consider similar measures to ensure funds are available to a wider group of participants and to prevent another funding shortfall.

### **The Future of LED Rebates in Indoor Agriculture**

The recent shortfall in Xcel's rebate program underscores the increasing interest and demand for energy-efficient solutions in indoor agriculture. This trend reflects a broader shift towards sustainable practices, as more states and industries embrace energy efficiency to combat rising operational costs and environmental impact. The success of Xcel's program may prompt other utility companies to consider similar initiatives, with adjustments in place to ensure adequate funding is maintained.

However, the funding gap also highlights the challenges that come with rapidly scaling sustainability programs. While demand for energy-efficient upgrades is high, utility companies and government agencies must carefully allocate resources to ensure programs remain viable in the long term. Industry experts recommend a balanced approach that limits rebate amounts per project or introduces caps to allow broader access without exhausting resources.

As the legal cannabis industry grows, energy efficiency will remain a critical concern, given the high energy consumption associated with indoor cultivation. Programs like Xcel's rebate initiative are valuable for helping cannabis cultivators reduce energy costs, but a sustainable funding strategy will be essential to prevent similar funding crises in the future.

## **Industry Reactions and Moving Forward**

For companies like Scynce LED, the funding delay has created significant financial strain, leaving them with unpaid invoices and disrupting budgets. Scynce and other providers may need to explore alternative financing or cost-sharing options to continue offering energy-efficient upgrades to their clients. Some in the industry believe that as more programs become available, competition will foster innovation, helping to make energy-efficient upgrades more accessible for cannabis cultivators.

While LED rebates are temporarily halted, industry stakeholders are advocating for continued support to expand access to energy-efficient technologies. Cannabis industry leaders have called for increased collaboration with lawmakers to secure resources for energy-saving initiatives that benefit both the environment and businesses.

The demand for LED lighting in indoor agriculture, coupled with rising utility costs, suggests that rebate programs will continue to play a vital role in helping growers transition to sustainable practices. As Xcel evaluates its program and works to resolve the funding issues, many in the industry hope that LED rebates can resume in a sustainable way that allows companies to continue providing energy-efficient solutions.

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