

April 15, 2013

The Honorable David Camp
Chairman, House Committee on Ways and Means
United States House of Representatives
Washington, DC 20510

The Honorable Sandy Levin
Ranking Member, House Committee on Ways and Means
United States House of Representatives
Washington, DC 20510

The Honorable Kevin Brady
Chair, House Committee on Ways and Means
Tax Reform Working Group on Energy
United States House of Representatives
Washington, DC 20510

The Honorable Mike Thompson
Vice-Chair, House Committee on Ways and Means
Tax Reform Working Group on Energy
United States House of Representatives
Washington, DC 20510

Dear Chairman Camp, Ranking Member Levin, Chair Brady, and Vice-Chair Thompson:

On behalf of the American Council On Renewable Energy (ACORE) and its U.S. Partnership for Renewable Energy Finance (U.S. PREF), we strongly encourage you to continue America's historic use of tax policy as a crucial part of making new energy innovations widely available to American businesses and consumers. Decades of favorable tax policy have made domestically produced oil and natural gas available at costs that compete in a global market. Now America's businesses, consumers and our entire economy deserve the same broad availability of renewable energy, and favorable tax policies remain critical for achieving that goal. We believe such policies can be -- and indeed, must be -- an integral part of any reform to make the U.S. tax code more efficient and capable of supporting continued economic innovation and growth. Indeed, federal tax benefits that support renewable energy often result in a real return on that investment in terms of overall financial impact.¹

The renewable energy industry experienced a banner year in 2012. More than 49% of all new power generation capacity in 2012 came from renewable energy sources, surpassing all other sources including natural gas. The U.S. wind industry installed over 13 GW of new generating capacity, and now stands at 60 GW total installed capacity.² Over 75,000 American jobs are supported by the wind industry, including those in the construction, design, and manufacturing sectors.³ Likewise, the U.S. solar industry experienced record growth, installing over 3 GW in 2012, with continued expansion expected in 2013.⁴ Over 100,000 Americans are employed by the solar industry.⁵ Overall, the clean energy sector garnered

¹ U.S. Partnership for Renewable Energy Finance, [*Paid in Full: An Analysis of the Return to the Federal Taxpayer for Internal Revenue Code § 48 Solar Energy Investment Tax Credit*](#), July 2012.

² U.S. Partnership for Renewable Energy Finance, *Renewable Energy Finance and Market Overview*, March 2013, 6.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

over \$44 billion in private investment in the United States alone in 2012.⁶ This growth, capping a decade of steady growth, indicates the growing importance of renewable energy to our economy. Equally important, a decade of increasing scale in wind and solar, made possible in large part by effective tax policies for renewable energy, has helped achieve dramatic reductions in the cost of wind and solar, much as traditional energy resources were able to achieve in the early and middle of the last century, thanks to favorable tax policies and other government support.

However, despite this remarkable progress, numerous challenges face the renewable energy industry. To achieve continued growth, market penetration and international competitiveness, and to help America avoid excessive and risky reliance on a few critical fossil fuels, the continued deployment at scale of renewable energy is essential. Yet, despite this, and despite America's century of using tax policy to help other energy sources achieve deployment at national scale, the continued deployment of renewable energy is now at risk, primarily due to continuing policy uncertainties. On December 31, 2012 the § 45 Production Tax Credit was allowed to expire, for the 4th time in the last 15 years. Though it was renewed for one year on January 1, 2013, developers and financiers are unable to make significant investment decisions based on policies which are so short term and volatile in nature. Similarly, the § 48 Investment Tax Credit (ITC) is scheduled to step down to 10% at the end of 2016, after a remarkably short period compared to the many decades of favorable tax policy that have helped bring competitively priced domestic natural gas and oil to American consumers and businesses.

Without a doubt, policies like the § 45 PTC and the § 48 ITC have already played an integral role in kicking off the successful deployment and reduced cost of renewable energy. Scale deployment and rapid innovation, largely due to the PTC, has allowed for a 90% reduction in the cost of wind power since 1980.⁷ Furthermore, over 60% of a wind turbine is manufactured domestically, in one of roughly 500 facilities across 44 states.⁸ Annual private investment in the wind energy sector has averaged over \$15 billion for the last five years.⁹

Likewise, the ITC has been a significant driver of the scale deployment of solar power, which has contributed to massive reductions in the cost reduction of solar panels -- which have fallen 51% since the beginning of 2011 alone -- and in the cost of other critical components of the solar supply chain.¹⁰ This has resulted in the average installed cost of solar power going from \$7.50 per watt in 2009 to \$2.00 per

⁶ *Id.*, 2.

⁷ American Wind Energy Association, *Federal Production Tax Credit for Wind Energy*.

⁸ *Id.*

⁹ *Id.*

¹⁰ Solar Energy Industries Association, *The Case for the Solar Investment Tax Credit*, September 27, 2012.

watt in 2013.¹¹ Along the way, the solar industry has grown dramatically since the ITC's enactment in 2005 to the point where it now employs over 100,000 Americans¹² -- more than are employed in either coal mining or steel production.¹³ Without effective tax policies like the PTC and ITC, neither the solar, nor wind industries would be as strong as they are today. They are both perfect examples of truly pro-growth policy which allows private investment in critical capital infrastructure and the expansion of new, innovative industries at scale.

Another important tax policy regarding the renewable energy sector is the modified accelerated cost recovery system (MACRS), which has been widely relied on to stimulate demand for capital intensive equipment across many strategically important industries. In the renewable sector, MACRS spurs deployment by reducing the effective cost of capital and the effective tax rate on corporate earnings from renewable energy projects. Further, MACRS works in concert with the ITC to attract solar financing. The benefit is so important that it provides essentially 20% of the financing for a solar project.

Currently, one of the greatest hurdles to the renewable energy sector is that it continues to lack access to low cost investment capital. Established domestic energy technologies have gained their substantial market shares with the assistance of tax preferences that reduce the tax burden of their investors, e.g. through legislation that allows gas and oil companies to qualify as Master Limited Partnerships. Master Limited Partnerships (MLPs) are, in fact, playing a major role in the current natural gas boom. Thanks to the liquidity and low cost of investment capital that MLPs make available, large scale oil and natural gas pipelines can obtain financing for projects almost overnight, whereas it can take months for renewable projects, which are not eligible to be held by MLPs, to do the same. The current Poe-Thompson / Coons-Moran sponsored Master Limited Partnerships Parity Act (H.R. 6437 / S. 3275) expands the definition of “‘qualified’ energy sources to include clean energy resources and infrastructure projects.” As part of a policy package that includes the PTC and ITC to lower the effective cost of renewable energy projects, MLPs can serve as an efficient vehicle to increase the amount of lower-cost capital available for reinvestment in future renewable projects. This would allow for a more complete lifecycle of project financing, a stronger renewable energy industry, and a more level playing field between this century's innovative domestic energy sources and those brought to scale in the last century.

Historically, tax policy has been an effective tool in driving U.S. energy production. It continues to play a critical role in developing the nation's abundance of domestic renewable and non-renewable

¹¹ *Id.*

¹² *Id.*

¹³ 91,611 coal mining jobs in 2011 (<http://www.eia.gov/coal/annual/>); 97,000 steep production jobs in 2011, (<http://www.fas.org/sgp/crs/misc/R41898.pdf>).

energy resources. Continued access to the existing tax credits and applicability of MLPs to renewable energy investment will help maintain the impressive growth of U.S. renewable energy production and achieve the nation's energy security and economic growth objectives.

Thank you for the opportunity to comment and please let us know if we can provide any additional information. For additional information please contact:

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American Council on Renewable Energy (ACORE)

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