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April 15, 2013

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Thompson
231 Cannon House Office Building
Washington, DC 20515

Dear Congressmen Brady and Thompson:

As you review our nation's tax code, we thank you for the opportunity to share the position of the American Wind Energy Association, which represents over 1200 businesses investing in the U.S. The renewable energy production tax credit (PTC) and the investment tax credit (ITC) are by far the most important public policies to our developers, manufacturers, and the various beneficiaries of wind energy.

Last year, the PTC helped to drive $25 billion of private investment, an over 1700% multiple of the estimated current annual cost of the tax credit. With this credit in place, the U.S. wind industry was the number one source of new electricity generation capacity last year and brought electricity to 15 million American homes.

The PTC is a performance based incentive that has been a tremendous success. The benefits of wind development to the U.S. economy are well known: over 550 new manufacturing facilities; rural economic development; 80,000 American jobs; increased energy diversity and security; water conservation and pollution reductions. Wind turbines are now predominantly made in the U.S.A. with factories in all regions of the country. Nearly 70% of the content of an average wind turbine installed in the U.S. is from domestic sources, compared to just 25% in 2005. Since 2005, when the PTC has been seamlessly extended, the wind industry has brought over $105 billion in private investment to the U.S. <u>Without the PTC, this private investment in the U.S. simply would not have occurred</u>.

More broadly, the tax code has been the de facto energy policy in this country for many years. This Committee has tremendous responsibility for energy security, energy diversity, economic development, and environmental protection. All electricity resources benefit from federal incentives and most of them are in the tax code. The recent shale gas revolution—a success story for creating a domestic supply option—was driven in large part by the Section 29 unconventional fuels tax credit. In short, tax policy IS energy policy.

We understand and appreciate the nation's fiscal situation. That is why we committed to work with the tax committees and Congress on tax reform. Few if any industry groups have shown as much willingness as the wind industry has to cooperate with the tax committees on tax reform, as shown by our December 2012 letter to the Ways and Means Committee.

As we shared in that letter, the stop/start nature of short-term PTC extensions has made it difficult for the industry to become fully cost-competitive. Policy certainty is the only way the wind industry will be able to make long-term investment decisions that can solidify this American success story. AWEA urges the Committee to consider increasing the economic efficiency of the PTC through new mechanisms to facilitate monetization of the credit.  An incentive that would allow for two technology development cycles (each cycle is approximately three years in length), could bring costs down to a competitive level and maintain a minimally viable industry. Certainty and predictability in the tax code will allow companies to develop new technologies and make investments that will continue to drive down the cost of wind energy and expand US wind manufacturing and the jobs that come with it.

We urge the Committee to enact long-term policies to provide greater industry stability so that we can continue to spur economic growth, improve our nation's energy diversity and security, and reduce pollution.

Thank you for considering our position.

Sincerely,

Rob Gramlich
Interim CEO
American Wind Energy Association

ATTACHMENT: AWEA's December 12, 2012 letter to the House Ways and Means Committee and the Senate Finance Committee

Denise Bode
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December 12, 2012

The Honorable Max Baucus
Hatch Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Orrin
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Dave Camp
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Chairmen Baucus and Camp and Ranking Members Hatch and Levin:

I am writing on behalf of the American Wind Energy Association's over 2,000 member companies to communicate the industry's views on the short- and long-term future of the renewable energy production tax credit (PTC).

The PTC is a federal policy that Congress should be proud of. It has unleashed the productive potential of an entrepreneurial industry by providing tax relief that rewards results. The wind industry has reinvigorated American manufacturing, diversified our electricity portfolio, driven down electricity costs for consumers, and stimulated much-needed rural economic development. The wind industry has been ahead of schedule in recent years in meeting the targets of the Bush Administration's 20% Wind by 2030 plan.

Time and again the industry has made the case to Congress for a PTC renewal, and with overwhelming bipartisan support, the credit has been extended in order to drive more efficient, cheaper and cleaner energy. Still, the stop-start nature of short-term extensions has made it difficult to get the industry to a place where it can be fully cost-competitive. Policy certainty is the only way the industry will be able to make long-term investment decisions that can solidify this American success story.

As you know, the PTC is a performance-based market mechanism that has proven to be the most effective policy to attract private capital and deploy wind technology in the U.S. The wind industry has attracted over $15 billion of private investment annually over the last five years. Moreover, the credit has led to a 12-fold increase in domestic wind manufacturing, with nearly 500 facilities now producing components for the industry. Businesses located in every state in the country now employ wind workers, and nearly 70% of a turbine's component parts are manufactured domestically, up from 25% just five years ago. Unfortunately, the PTC is set to expire on December 31, 2012. Most project plans for 2013 have been shelved, triggering layoffs for developers, manufacturers, and the entire supply chain. Navigant Consulting anticipates that without a PTC extension, 37,000 wind industry jobs will be lost by the end of the first quarter of 2013. If the wind industry's domestic supply chain is lost now, it will take years to build it back up to its current level.

Our top policy priority in the lame duck session is an immediate extension of the PTC, allowing projects that commence construction by the end of 2013 to qualify for the credit. This bipartisan proposal, which was included in the Senate Finance Committee's tax extenders bill, would immediately restart wind project development and manufacturing, while ensuring that the supply chain infrastructure developed over the last twenty years remains in place.

The wind industry recognizes that our country is facing significant fiscal challenges and is supportive of all energy technology incentives being reviewed and even phased down when Congress considers tax reform. However, the PTC has supported the wind industry in its efforts to significantly reduce the cost of producing electricity, and its continued availability for a reasonable period of time will allow the industry to invest in the cost-saving technologies required to finish the job.

The industry has undertaken an extensive analytical effort to determine what level of the PTC over a specific number of years would be needed to keep the industry minimally viable. The analysis assumed that the industry would meet ambitious technology-improvement and capital-cost targets. Analytical results indicate that a PTC beginning with 2.2 cents per kilowatt-hour, or 100% of the current level for projects that begin construction in 2013, followed by 90%, 80%, 70%, 60%, and then 60% of the current level for projects that are placed in service in years 2014 through 2018, with no PTC in 2019 or afterwards, would sustain a minimally viable industry, able to continue achieving cost reductions.

In coordination with any phase down of the credit, we would urge Congress to consider additional policy mechanisms to encourage a diverse portfolio that includes renewable energy. With the policy certainty that accompanies a stable extension, the industry believes it can achieve the greater economies of scale and technology improvements that it needs to become cost competitive without the PTC.

Congress should be applauded for its support of U.S. wind energy development and manufacturing. To further this economic success story and do so with diminishing federal support, we seek to work with Congress to extend the PTC for a reasonable period of time, as described above.

Sincerely,

Denise A. Bode

Denise A. Bode
CEO
American Wind Energy Association

cc: The Honorable John Boehner, Speaker of the House
The Honorable Harry Reid, Senate Majority Leader
The Honorable Mitch McConnell, Senate Minority Leader
The Honorable Nancy Pelosi, House Minority Leader