

April 15, 2013

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, D.C. 20515

The Honorable Mike Thompson
231 Cannon House Office Building
Washington, D.C. 20515

RE: House Committee on Ways & Means Energy Tax Reform Working Group

Dear Chairman Brady and Vice-Chairman Thompson:

Oceana appreciates the opportunity to provide comment to the House Committee on Ways & Means Energy Tax Reform Working Group. As you consider ways to reform our nation's tax code, we ask that you make two significant changes: eliminate tax subsidies specific to the oil and gas industry, and create a separate carve-out and long-term extension of the Investment Tax Credit (ITC) for offshore wind.

Oceana supports the elimination of tax giveaways to the oil and gas industry. Over the last decade, the top five oil and gas companies have enjoyed nearly \$1 trillion in profits and tens of billions of dollars in taxpayer subsidies. Additionally, in 2011 alone, these same companies reported a staggering \$137 billion in profits. Such a profitable industry does not need the more than \$4 billion in government handouts to survive. With our country facing deep budget cuts across the board, it is outrageous that Congress would continue to provide subsidies and tax breaks to one of the world's wealthiest industries. Any overhaul of the tax code must include the repeal of tax breaks and subsidies specific to the oil and gas industry in order to more fully break with the energy sources of the past and commit to a clean energy future.

Oceana also supports a long-term extension of the ITC for offshore wind. As an ocean-focused group, we support the development of offshore wind in the United States as a way to reduce our dependence on dirty fossil fuels both foreign and domestic, create long-term and good paying American jobs, combat climate change, and take a leadership position on the global clean energy stage. One of the biggest impediments to offshore wind development is financing. Offshore wind farms, with their high capital costs and long lead times, will be extremely difficult, if not impossible, to finance without more certainty about the applicability of the ITC to these projects. A long-term extension of the ITC will send a clear signal to investors that America is open for business and committed to producing clean and domestic energy.

Under current law, the ITC for wind is available only as an election from the Production Tax Credit (PTC) and, as such, cannot stand without the continued extension of the PTC. While the PTC has long benefited the land-based wind industry, offshore wind, with its long investment time, infancy of the industry, and higher initial costs, cannot yet take advantage of this tax credit.

Because investors need a quicker return on such a long-term investment, the ITC is what is needed to jumpstart a domestic offshore wind industry; not the PTC. Simply put, if the United States wants to invest in offshore wind, a long-term extension of the ITC is needed. With the recent discussions surrounding a phase-out of the PTC, it is imperative now more than ever that the ITC for offshore wind gets its own line item in the tax code so that offshore wind, which has yet to benefit from any federal tax incentive, does not get phased-out before it is ever phased-in.

Current law also provides a strict deadline for wind farms to qualify for the PTC or ITC so that a wind project will need to “commence construction” before the end of this year to qualify for these tax credits. This deadline creates substantial barriers for offshore wind due to the long lead time required for development and multi-year construction. For the ITC to be usable, it is essential that a long-term extension is granted in order to send the necessary signals to the financial markets that offshore wind farms can be developed and financed in the U.S.

Our country can no longer afford to throw taxpayer dollars at the richest oil and gas companies that keep us tethered to the energy sources of the past. On the other hand, clean energy tax incentives are critical to promoting innovative technologies that will power us into the future and keep us competitive on the global energy market. Any reform of the tax code must include the elimination of oil and gas subsidies and provide a long-term extension of the ITC for offshore wind to jumpstart this job-creating, domestic clean energy industry.

Thank you for your consideration.

Sincerely,



Jacqueline Savitz
Deputy Vice President, U.S. Campaigns
Oceana