



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:

The Sierra Club is America's oldest, largest and most influential grassroots environmental organization. On behalf of our 2.1 million members and supporters, we thank you for taking a comprehensive look at improving our nation's tax code. As environmentalists, conservationists, and clean energy and public health advocates, we urge you to continue to support development of clean energy resources such as solar, wind, geothermal and energy efficiency.

Your Working Group is conducting an analysis of energy tax incentives, and your findings will have serious implications for our environment, our economy, and public health. Fossil fuels are the driving force behind climate change, which threatens our communities and has the potential to impact every aspect of our lives. But there is an alternative. Instead of subsidizing fossil fuel interests, we can invest in clean energy technologies.

In order to achieve a transition to a low carbon energy system, Congress must level the playing field for clean energy technologies. Renewable energy sources and energy efficiency technologies stave off climate change, drive private investment, create jobs, and strengthen our competitiveness.

Tax preferences can be instruments of both economic policy and domestic policy and our nation's energy policy priorities have been reflected in the tax code. Tax incentives for clean energy technologies should be certain and predictable. Businesses need certainty about future financial conditions to make investments in equipments and employees. If the tax system is unstable, companies will not invest.

The following is a list of clean energy tax credits we urge the Working Group to support. There is no single technology or solution to meet our energy needs. The solution to our environmental challenges instead will come from a family of diverse energy technologies that have low carbon emissions and low - or no - fuel fuel cost.

Specifically, the incentives the Sierra Club supports include:

1. **Section 45 Renewable Energy Production Tax Credit (PTC).** This provision has been a critical tool to support investments in renewable energy. There are now over 60,000 megawatts (MW)

of wind power installed in the U.S. – enough to power the equivalent of almost 15 million homes. This credit should be extended as amended in the Senate Finance Committee last Congress.

2. **Solar Investment Tax Credit (ITC) for residential (Section 25D) and commercial (Section 48) properties.** The solar ITC has fueled dramatic growth in solar installations and manufacturing capacity, while providing long-term certainty to the industry that has allowed costs to fall. The solar industry's 2012 market year-in-review report found that photovoltaic (PV) installations grew 76 percent in 2012, and that the United States accounted for 11 percent of all global PV installations in 2012, its highest market share in at least fifteen years. The solar ITC is in place through 2016, and it should be extended longer to ensure financing certainty to scale up solar power. Section 25D and Section 48 should be extended with commence construction language.
3. **Section 48 Investment Tax Credit (ITC) for Offshore Wind Energy.** Offshore wind energy represents our largest untapped clean energy resource to power our homes and businesses with pollution-free energy and create new manufacturing jobs. Currently, the offshore ITC is an election from the PTC. This credit should have a separate line-item in the tax code, and be should be extended with "commence construction" language as written in the *Incentivizing Offshore Wind Power Act* (H.R.924).
4. **Master Limited Partnerships (MLP) Parity Act:** Clean energy technologies should be extended the ability to organize as MLPs that has long been available to the fossil fuel and pipeline industries. Through the MLP structure, clean energy technologies can, in many cases, gain access to lower cost financing from public equity markets. We believe Congress must either allow clean energy technologies to access MLPS or eliminate the benefit for all energy sources. Further, MLPs should not be portrayed as a replacement for the PTC or ITC. MLPs are not adaptable to all business models and many clean energy companies expect to gain no benefit from them.
5. **Section 48C Advanced Energy Manufacturing Tax Credit.** Created in 2009, this program leveraged \$5.4 billion in vital private investments in new, expanded, or re-equipped clean energy manufacturing projects throughout the country, boosting growth and creating thousands of new U.S. manufacturing jobs by producing components and equipment for the burgeoning global renewable energy industry. This credit should be reinstated.
6. **Section 1603 Treasury Grant Program for Renewable Energy Projects.** Section 1603 has played a vital role in renewable energy deployment and expired at the end of 2011. According to a Department of Energy analysis, the grant program supported 13,000 megawatts of wind and solar projects while stimulating more than \$25 billion in activity. This program should be reinstated.
7. **Section 45L Efficient New Homes Tax Credit.** Section 45L is a highly successful incentive that has transformed the market for energy efficient new homes. It has saved homeowners significant money on their energy bills, enabling them to make ends meet during these tough economic times. This credit should be extended and the criteria should get increasingly aggressive over time as the market shifts to higher levels of efficiency.
8. **Section 45M Efficient Appliances Manufacturer Tax Credit.** Section 45M promotes the manufacture of high-efficiency appliances, including washers and refrigerators. Extending this

incentive would not only save homeowners money on their energy bills, but also encourage domestic manufacturing of high-efficiency appliances. This credits should be extended.

9. **Home Efficiency Improvement Tax Credit in the Cut Energy Bills at Home Act.** This bipartisan bill from the 112th Congress would establish a new tax credit for homeowners who make energy efficiency improvements to their homes. The incentive will enable homeowners to achieve deep reductions in energy use, while cutting pollution and saving homeowners money on energy bills.

These tax incentives have been implemented in the past and have proven track record of success. It is critical that Congress prioritize clean energy tax incentives to build a future in which both people and the planet are protected from the worst effects of climate change.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Michael Brune". The signature is written in a cursive, flowing style.

Michael Brune

Executive Director