

Written Statement of John Graham, President and CEO, BP Wind Energy North America, Inc.

Select Revenue Measures Subcommittee Hearing on Certain Expiring Tax Provisions

Committee on Ways and Means, May 10, 2012

I am John Graham, President and CEO of BP Wind Energy North America, Inc. (“BP Wind Energy”), a leading U.S. wind project developer, owner and operator based in Houston, Texas. I am submitting this written statement in connection with the “Hearing on Certain Expiring Tax Provisions” which took place before the House Committee on Ways and Means, Select Revenue Measures Subcommittee (“Subcommittee”) on April 26, 2012, in order to urge Congress to extend the wind energy production tax credit (“PTC”) as quickly as possible.

BP Wind Energy, which entered the U.S. renewable energy market in late 2005, is a business Unit within BP which is one of the world's largest energy companies. In the U.S., BP has approximately \$52 billion in assets and employs some 23,000 staff. The company's main businesses are exploration and production of oil and gas, refining, manufacturing and marketing of oil products and petrochemicals, and the transportation and marketing of natural gas.

With a growing business in wind power and advanced biofuels, BP has invested approximately \$7 billion in alternative energy development. BP Wind Energy is a principal owner and operator of wind power facilities with interests in 13 wind farms. Today, BP Wind Energy has a gross generating capacity of 1,955 MW – enough electricity to power over 586,000 average American homes. By the end of this year, BP Wind energy expects to have completed development of three more wind farms that will generate over 600 additional MW of electricity, which will secure BP Wind Energy’s position as being among the top five U.S. wind developers. By the end of 2012, BP Wind Energy will have built and will be operating approximately \$5 billion worth of wind farms in the United States.

We believe Chairman Tiberi of the Select Revenues Measures Subcommittee is leading both an important and necessary effort by the Subcommittee to examine more than 100 expired or expiring tax provisions to determine which warrant further extension. It is our understanding that the criteria the Subcommittee will be using to determine which of the provisions are worthy of extension include whether the extender in question will: positively impact U.S.

jobs; contribute to a U.S. economic recovery; and whether, as a policy matter, it will continue to achieve what it was originally designed to accomplish.

A Successful U.S. Tax Policy That Achieves What Was Envisioned While public discussion often focuses on tax outflows from the U.S. Treasury, it is important to keep in mind that the PTC has stimulated material new investment in wind energy that dwarfs what the Treasury has forgone in tax revenues. By the end of 2012, it is generally estimated that U.S. wind generated power will account for between 4 and 5 percent of all electric generation in the United States. The PTC and the investment it has brought have also led to numerous technological improvements including in the areas of wind turbine efficiency, micro-siting, weather forecasting and energy storage. All of this has greatly increased the capacity factors and overall efficiency of what has been considered an intermittent energy source and has lowered the cost of wind energy to consumers. Wind energy is well on the road to achieving grid parity and we implore Congress not to abandon this very promising, home-grown source of energy that contributes both to energy independence and diversity.

Creates U.S. Jobs The wind Industry has grown very significantly since the last expiration of the PTC in 2003. Today, there are over 400 domestic manufacturers of wind turbine components, that account for some 20,000 manufacturing and supply chain jobs in this country. Indeed, so many new U.S. jobs have been attracted to the U.S. from overseas as a result of domestic wind development that the average American wind farm has gone from about 25% domestic content to more than 60% U.S. content today. Another 58,000 jobs reside in development, engineering, construction and operation of wind energy facilities.

Contributes to U.S. Economic Recovery Many of the U.S. wind industry jobs have been created in rural areas particularly hard hit by the most recent economic down-turn. In addition to the manufacturing and supply chain jobs, good, skilled permanent jobs are created when each new wind farm becomes operational. Many thousands of construction jobs contribute to the building of those facilities. Moreover, there are the significant “knock-on” economic effects in any community that come with building a new wind farm. These include everything from an increased demand for housing, food and services, to the royalty payments that are paid to landowners on whose land the wind farms are constructed, to the property taxes that flow into local communities to improve schools, roads and other infrastructure.

The U.S. wind energy industry sought without success to obtain a one-year PTC extension by the end of the first quarter of 2012. The reason for seeking action prior to expiration of the credit is that the PTC is a credit only against the actual

production of energy. Congress may act on the extension during a “lame duck” session. However, since project development lead time can take up to a year, unless a project is shovel-ready at the time the Congress acts, there may be insufficient time to construct new projects before the credit expires again. Therefore, while a one year extension is critically important, a slightly longer extension would send a signal that could truly jump-start the industry and get those who have already lost their jobs back to work.

BP Wind Energy does not discount legitimate concerns over government spending and support the efforts of the Ways and Means Committee and the Congress as a whole to take a hard look at the existing extenders. Nonetheless, we believe that the PTC should survive the welcome scrutiny that the Subcommittee is applying. We also know that even with respect to those extenders that pass muster in that regard, many in Congress are looking for what has been called “a light at the end of the tunnel.” They seek a commitment from our industry to phase-down its reliance on the PTC, with the expectation that in the not-too-distant future, a PTC will no longer be necessary. While there is much that is unknown including the future pricing of natural gas, BP Wind Energy is willing to make that commitment.

Without at least a one year extension of the PTC, many manufacturing and development jobs will be lost; the supply chain will be seriously disrupted; and it could be harmed irreparably. Our own development plans have already been negatively affected by the continuing uncertainty over a PTC Extension. I strongly urge this committee to immediately take up an extension of the wind energy production tax credit.

Finally, I would like to thank the Chairman of the Subcommittee, Congressman Tiberi, for calling this important hearing and for the opportunity to comment in writing. I look forward to working with the Subcommittee and the Committee to extend the PTC.

John Graham
President and CEO
BP Wind Energy North America Inc.
700 Louisiana Street 77002
Houston, Texas
E-mail: [c/o reyna.danjoy@bp.com](mailto:c/o_reyna.danjoy@bp.com)
Tel: 713-354-4816

May 10, 2012