



100 Middle Street
PO Box 9729
Portland, ME 04104-5029

Robert E. Cleaves IV
207 228-7376 direct
207 774-1127 facsimile
207 671-0152 mobile
bob@biomasspowerassociation.org

STATEMENT OF THE BIOMASS POWER ASSOCIATION

SUBMITTED FOR THE RECORD OF THE HEARING ON

“CERTAIN EXPIRING TAX PROVISIONS”

U.S. HOUSE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SELECT REVENUE MEASURES

APRIL 26, 2012

The Biomass Power Association (BPA) welcomes the opportunity to provide comments for the record of the April 26, 2012 Committee on Ways & Means, Select Revenue Measures Subcommittee (“Committee”) hearing to examine “certain expiring tax provisions.” BPA would like to thank Select Revenue Measures Subcommittee Chairman Tiberi and Ranking Member Neal for this hearing to allow Members the opportunity to discuss important tax extender provisions, such as the Section 45 Production Tax Credit (PTC) for renewable energy.

BPA is the national voice for the biomass to electricity industry. Our members utilize organic byproducts and residuals from the forest products and agricultural sectors to create “grid connected” electricity. By doing so, we provide Americans with a sustainable, renewable form of power that also solves an environmental problem by creating a market for materials that would otherwise be discarded. Our members employ more than 14,000 hard working men and women, and contribute over \$1 billion to the U.S. economy every year. Together with the pulp and paper industry, we provide nearly half of the Nation’s renewable electricity supply.

Beginning in 2004 when Congress made open-loop biomass an eligible resource for the PTC under Internal Revenue Code Section 45, BPA has worked closely with your Committee to explore strategies to support our industry in ways that are fiscally prudent and achieve the important public policy goal of diversifying and strengthening the Nation’s energy portfolio. We applaud the goal of avoiding the picking of “winners and losers” or otherwise distorting energy markets.

The biomass industry depends on a federal tax policy that is fair, consistent, and provides appropriate incentives that are designed to promote development. There are significant opportunities for new biomass electricity projects in many parts of the country—projects that create jobs, sustain rural economies, and promote capital investment.

To fully realize the great potential of our industry, we urge the Committee to consider three important proposals—

1. Extend the 1603 Treasury Program.

By far the most successful federal tax program to encourage development of renewable energy sources, including open-loop biomass, has been the Section 1603 Treasury Grant Program. As a direct result of this program, the biomass industry estimates that more than \$1.3 billion in invested capital will have been put to work in our industry through 2012.

By way of example, consider the recent project in Gainesville, Florida developed by New Hampshire-based American Renewables, in partnership with the local utility in Gainesville. That project, which is expected to be placed in service in 2013, has created hundreds of new jobs and the grant program has helped to leverage nearly \$500 million in private investment in the project. Projects like Gainesville have occurred throughout the country, from Texas (Nagadoches \$500 million) and (Rio Grande Sugar Co-op, \$30 million), to Michigan (L'anse Warden, \$39.9 million) to Washington (Simpson Paper, \$50 million) to New Hampshire (Berlin, \$250 million).

Our members uniformly believe that the 1603 incentive has been an extremely effective financing mechanism for renewable energy projects. The program allows taxpayers and small businesses to maximize the return and value of Section 45 production tax credits by avoiding the significant costs charged by Wall Street in transactions to monetize the credits. An extension of the program will allow even more projects to be built throughout the nation at a time when new investment in our energy infrastructure is sorely needed.

2. Extend the Placed-in-Service Date for Open-Loop Biomass.

Under current law, in order to qualify for the PTC, open-loop biomass facilities must be placed in service by December 31, 2013. Unlike some other forms of renewable energy, the development timeline for biomass electricity projects is often up to five years from beginning of project development to the commencement of construction. For all intents and purposes, the current federal production tax credit for biomass facilities is ineffective since no developer can rely upon the certainty that Congress will extend the placed-in-service date past 2013, and no project—even if it began development today—could meet the 2013 date. In this respect, short “placed in service” dates favor other forms of renewable energy—a clear example of Congress inadvertently picking winners and losers simply by virtue of the uncertainty created by a tax incentive program that suffers from starts and stops and short-term extensions.

3. Level the Playing Field.

Finally, current tax law is inequitable and distorts energy markets. The Internal Revenue Code prescribes a hodgepodge of production and blenders credits for energy production that creates inequities between types of energy (i.e., electricity vs. liquid fuels), between end uses of the same biomass feedstocks, and even between different electricity generation technologies. While grappling with the entirety of this issue will surely take some time, one immediate and useful step forward would be approval of the Herger/Thompson Renewable Energy Parity Act, H.R. 2286, which would level the playing field in the renewable electricity sector by harmonizing the PTC rates for all of the eligible technologies.

We urge the Committee to consider changes to the Code that provide consistent and predictable benefits in order to achieve the greatest potential results. We very much appreciate the opportunity to comment on these important issues, and welcome the opportunity to serve as a resource as the Committee moves forward.

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