AWEA AMERICAN WIND ENERGY ASSOCIATION

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Senator Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Senator Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Chairman Hatch and Ranking Member Wyden,

The American Wind Energy Association (AWEA) respectfully submits the following comments in regard to the Senate Finance Committee's effort to reform the existing tax code. AWEA represents over 1,000 businesses that manufacture, develop and service the wind energy industry in the United States. Since 2008, these companies have invested over $100 billion nationwide.

Today, the United States leads the world in wind energy generation, driven by the innovation and productivity of American workers and businesses. American wind energy now directly supports 73,000 jobs in 50 states, and powers over 16 million homes with a reliable, affordable source of electricity. Private-sector investments, encouraged in large part by the renewable production tax credit (PTC) and the investment tax credit (ITC), play a key role in unleashing that productivity. Federal policy plays a critical role in the wind industry's decisions to make long-term investments in U.S. manufacturing facilities, research and development, and worker training to create the modern American wind industry. However, near-term uncertainty about the future of tax policy puts those investments and the gains they have achieved, not to mention future investments, at risk.

AWEA supports efforts by the committee to make the tax code more efficient. Further, AWEA believes that tax reform should examine incentives available to all energy technologies, and should strive for a level playing field on a going forward basis. AWEA also believes that accelerated depreciation is valuable and should be retained. Finally, tax reform should enable companies to more efficiently utilize tax incentives that exist.

Since the inception of the tax code, all energy production has had incentives to varying degrees. The PTC and the ITC are just more recent examples of this type of support, and unfortunately subject to periodic expirations. Over the years the PTC and ITC have been a tremendous success and been the primary policy support for wind energy development, technology research, and related component manufacturing. Since 2008, these credits have helped attract over $100 billion in private capital investment in U.S. wind projects. They have helped American wind power grow to create over 500 factories across 43 states.

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The value of the PTC and ITC flows through to consumers. In fact, grid operators, state governments, and academic experts have analyzed electricity markets in the Midwest, Mid-Atlantic, New England and the Southeast and found that zero-fuel-cost wind energy drives electricity prices down.[1] While the cost of wind energy has decreased over time, support is still needed to continue that trend and prevent reliance on a very limited set of energy sources.

The wind industry would benefit from stable policy extending forward for a predictable period of time in order to deliver maximum benefits to consumers. The uncertainty leading up to the expiration of the PTC and ITC in 2012 before they were extended in January of 2013 had a devastating impact on the industry. Investment was put on hold, factories halted production and project installations came to a standstill. As a result, only 1,087 megawatts were installed in 2013, a 92% drop from 2012. The drop-off following that interruption is a clear indication that despite making gains in reducing costs, policy stability is necessary to promote domestic wind energy development and support the manufacturing sector.

We applaud the committee's effort to improve the efficiency of the tax code through tax reform. AWEA believes that reform should be designed and implemented so that the transition from existing to new tax policies minimizes disruption and preserves the progress made by wind energy.

We support a tax policy that creates a competitive level playing field among numerous energy technologies. Policies should continue to foster the development of various energy technologies to make sure our nation is meeting its energy needs from a diverse mix of resources, avoiding overreliance on a limited set of technologies. Major changes in energy tax policy could cause major shifts in deployment, having both short- and long-term effects to our national energy supply. Tax reform should also be designed and implemented so that the wind industry does not "fall off a cliff," forcing closure of manufacturing facilities and preventing further technological advancements and cost reductions.

[1] http://www.illinois.gov/ipa/Documents/201304-IPA-Renewables-Report.pdf, http://www.synapse-energy.com/sites/default/files/SynapseReport.2013-05.EFC_.Increased-Wind-Power-in-PJM.12-062.pdf, http://www.uwig.org/newis_report.pdf, http://nicholasinstitute.duke.edu/sites/default/files/publications/renewable-energy-in-the-south-paper.pdf

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Tax reform should also enable companies to more efficiently utilize incentives. The PTC and ITC could be even more effective at reducing costs for American consumers. Due to certain restrictions in the credits design, many wind companies rely on relatively expensive tax equity participation from a limited number of investors to fund projects. With small changes to the tax code, such as those used for other industries, Congress could reduce the cost of wind energy for rate-payers even more without increasing, and potentially decreasing, the government's cost for the PTC and ITC.

Lastly, given the wide applicability of accelerated depreciation to multiple industries, we would like to see this valuable incentive retained in any tax reform proposal. Accelerated depreciation reduces project costs, making them more efficient and delivering greater value to electricity customers.

In conclusion, we believe that the committee should proceed in a thoughtful way with efforts to examine and reform the existing tax code, keeping in mind the multiple goals of economic growth, efficiency, fairness, and stability. We appreciate this opportunity to provide input to the committee and are available for further discussions in the coming months.

Best regards,

Thomas C. Kiernan

cc:
Senators Thune & Cardin, Co-Chairs Business Income Tax Working Group
Senators Heller & Bennet, Co-Chairs Community Development & Infrastructure
Working Group