



April 15, 2015

The Honorable Orrin G. Hatch
Chairman, Senate Finance Committee
United States Senate
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member, Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the American Council On Renewable Energy (ACORE) and its U.S. Partnership for Renewable Energy Finance (U.S. PREF), we strongly encourage you to continue America's historic use of tax policy as a crucial part of making new energy innovations widely available to American businesses and consumers. Decades of consistent favorable tax policy which continues set the stage for the growth in production of domestically produced oil and natural gas by making it available at costs that compete in a global market. Now, America's businesses, consumers and our entire economy deserve the same broad availability of renewable energy and favorable tax policies remain critical for achieving that goal and stimulating additional private sector investment. We believe such policies can be – and indeed, must be – an integral part of any reform to make the U.S. tax code more efficient and capable of supporting continued economic innovation and growth. Indeed, federal tax benefits that support renewable energy often result in a real return on that investment in terms of overall financial impact.¹

The renewable energy industry experienced another strong year in 2014. More than 50% of all new power generation capacity in 2014 came from renewable energy sources, surpassing all other sources including natural gas. The U.S. wind industry installed over 4 GW of new generating capacity, and now stands at more than 64 GW total installed capacity.² Over 50,500 American jobs are supported by the wind industry, including those in the construction, design, and manufacturing sectors.³ The U.S. solar industry experienced record growth, installing over 6 GW in 2014 (roughly split between roof-top and utility-scale solar), with continued expansion expected in 2015.⁴ Over 174,000 Americans are employed by the solar industry.⁵ The U.S. geothermal, anaerobic biodigestion, and biomass industries now have over 14 GW installed capacity. Overall, in 2014, private investment in the U.S. clean energy market reached \$38.3 billion.⁶ A decade of steady growth indicates the growing importance of renewable energy to our nation's economy. Equally important, a decade of increasing scale, made possible in large part by effective tax policies for renewable energy, has helped achieve dramatic cost reductions, especially in wind and solar, much as traditional

¹ U.S. Partnership for Renewable Energy Finance, [Paid in Full: An Analysis of the Return to the Federal Taxpayer for Internal Revenue Code § 48 Solar Energy Investment Tax Credit](#), July 2012.

² Federal Energy Regulatory Commission, Office of Energy Projects, *Energy Infrastructure Update for December 2014*, January 2015.

³ American Wind Energy Association, *Wind Energy Facts at a Glance*, <http://www.awea.org/Resources/Content/20.aspx?ItemNumber=5059>.

⁴ Solar Energy Industries Association, *U.S. Solar Market Insight*, <http://www.seia.org/research-resources/us-solar-market-insight>, March 10, 2015.

⁵ Solar Energy Industries Association, *Solar Industry Data*, <http://www.seia.org/research-resources/solar-industry-data>.

⁶ Bloomberg New Energy Finance & Frankfurt School, *Global Trends in Renewable Energy Investment 2015*, April 2015.

energy resources were able to achieve in the early and middle of the last century, thanks to favorable tax policies and other government support.

However, despite this remarkable progress, numerous challenges face the renewable energy industry. To achieve continued growth, market penetration and international competitiveness, and to help America avoid excessive and risky reliance on a few critical fossil fuels, the continued deployment at scale of renewable energy is essential. Yet, despite this and America's century of using tax policy to help other energy sources achieve deployment at national scale, the continued deployment of renewable energy is now at risk, primarily due to continuing policy uncertainties. On December 31, 2014, the § 45 Production Tax Credit was allowed to expire for the 5th time in the last 15 years after being renewed retroactively for 2014. Developers and financiers are unable to make significant investment decisions based on policies which are so short term and volatile in nature. Similarly, the § 48 Investment Tax Credit (ITC) is scheduled to step down to 10% at the end of 2016, after a remarkably short period compared to the many decades of favorable tax policy that continue to help bring competitively priced domestic natural gas and oil to American consumers and businesses.

Without a doubt, policies like the § 45 PTC and the § 48 ITC have already played an integral role in driving the successful deployment and reduced cost of renewable energy. Scale deployment and rapid innovation, largely due to the PTC, has allowed for a 90% reduction in the cost of wind power since 1980.⁷ Annual private investment in the wind energy sector has averaged over \$15 billion for the last five years.⁸

Likewise, the ITC has been a significant driver of the scale deployment of solar power, which has contributed to massive reductions in the cost of solar power – which has fallen 73% since 2005.⁹ This has resulted in the average installed cost of solar power going from \$7.50 per watt in 2009 to \$2.51 per watt in 2014.¹⁰ Along the way, the solar industry has grown dramatically since the ITC's enactment in 2005 to the point where it now employs over 174,000 Americans¹¹ -- about the same number employed in coal mining and steel production combined.¹²

The ITC has also been a significant driver of geothermal, anaerobic biodigestion and biomass power. These plants typically are large, base-load facilities with zero or near zero carbon and other emissions and long lifetimes in the range of 30 to 60 years. These plants typically operate with high electricity generating capacity factors, averaging as much as 95%.

Without effective tax policies like the PTC and ITC, the solar, wind, geothermal, anaerobic biodigestion, and biomass industries would not be as strong as they are today. They are both perfect examples of truly pro-growth policy which encourages private investment in critical capital infrastructure and the expansion of new, innovative industries at scale.

Another important tax policy regarding the renewable energy sector is the modified accelerated cost recovery system (MACRS), which has been widely relied on to stimulate demand for capital intensive equipment across many strategically important industries. In the renewable sector, MACRS spurs deployment by reducing the effective cost of capital and the effective tax rate on corporate earnings

⁷ American Wind Energy Association, *Federal Production Tax Credit for Wind Energy*.

⁸ *Id.*

⁹ Solar Energy Industries Association, *The Case for the Solar Investment Tax Credit*, April 3, 2015.

¹⁰ *Id.*

¹¹ *Id.*

¹² 80,396 coal mining jobs in 2014 (<http://www.eia.gov/coal/annual/>); 94,000 steel production jobs in 2012, (<http://www.fas.org/sgp/crs/misc/R41898.pdf>).

from renewable energy projects. Further, MACRS works in concert with the ITC to attract financing. The benefit is so important that it provides essentially 20% of the financing for a solar project.

Currently, one of the greatest hurdles to the renewable energy sector is that it continues to lack access to more liquid, low cost investment capital. Established domestic energy technologies have gained their substantial market shares with the assistance of tax preferences that reduce the tax burden of their investors, e.g. through legislation that allows gas and oil companies to qualify as Master Limited Partnerships. Master Limited Partnerships (MLPs) are, in fact, playing a major role in the current natural gas boom. Thanks to the liquidity and low cost of investment capital that MLPs make available, large scale oil and natural gas pipelines can obtain financing for projects almost overnight, whereas it can take months for renewable projects, which are not eligible to be held by MLPs, to do the same. The Coons-Moran/Poe-Thompson sponsored Master Limited Partnerships Parity Act of 2013 (S. 3275/H.R. 6437) would have expanded the definition of “‘qualified’ energy sources to include clean energy resources and infrastructure projects.” As part of a policy package that includes the PTC and ITC to lower the effective cost of renewable energy projects, MLPs can serve as an efficient vehicle to increase the amount of lower-cost capital available for investment in future renewable projects. This would allow for a more complete lifecycle of project financing, a stronger renewable energy industry, and a more level playing field between this century’s innovative domestic energy sources and those brought to scale in the last century.

Historically, tax policy has been an effective tool in driving U.S. energy production. It continues to play a critical role in developing the nation’s abundance of domestic renewable and non-renewable energy resources. Continued access to the existing tax credits and applicability of MLPs to renewable energy investment will help maintain the impressive growth of U.S. renewable energy production and achieve the nation’s energy security and economic growth objectives.

Please let us know if we can provide any additional information.

Sincerely,



Todd Foley

Senior VP, Strategy, Policy & Government Relations, Chief Strategy Officer
American Council On Renewable Energy (ACORE)

██████████
██████████



Scott Clausen

American Council On Renewable Energy (ACORE)