American Energy Innovation Act

Title V – Investing in Clean Energy

As the United States reaches the midpoint of the second decade of the 21st century, we face a new energy frontier: increased energy generation from distributed resources like rooftop solar change the way we think about our electrical grid; huge increases in domestic supplies of fossil fuels from shale formations and tar sands have helped lower the cost of natural gas and crude oil; and electric cars and new forms of biofuels are providing a glimpse of a cleaner transportation system. In the meantime, increasing energy efficiency and growth in renewable electricity have helped reduce U.S. greenhouse gas emissions by nearly 15 percent since 2005.

However, America has a long way to go in dealing with global warming and the human and economic damage it's causing. In the northwestern U.S. alone, decreased snowpack, raging wildfires, and increased flooding have wreaked havoc over the past several years. To combat climate change and continue to provide low-cost, reliable energy to America consumers, Congress must provide a robust vision for the future of energy policy in the United States.

Given the importance of these issues, our current energy incentives are overly complex and far less effective than they should be. Today, there are 44 different energy tax incentives. More than half are too short-term to effectively stimulate investments, while also providing different subsidies to different technologies with no discernable policy rationale.

To address these issues, the bill proposes a dramatically simpler set of long-term, performance-based energy tax incentives that are technology-neutral and promote clean energy production in the United States.

Incentives for Clean Electricity:

- Technology-neutral tax credit for domestic production of clean electricity. The cleaner the facility, the larger the credit.
- Open to all resources – renewable, fossil fuel, or anything in between.
- Available as either a production tax credit of up to 2.3 cents per KWh or an investment tax credit of up to 30 percent.

Incentives for Clean Transportation Fuel:

- Technology-neutral tax credit for domestic production of clean transportation fuel. The cleaner the fuel, the larger the credit.
- Open to all resources – renewable, fossil fuel, or anything in between.
- Provides a production tax credit of up to $1 per gallon.

Incentives for Energy Conservation:

- Performance-based tax credit for energy efficient homes and tax deduction for energy efficient commercial buildings – the more energy conserved, the larger the incentive.
- Promotes conservation in both new and existing buildings.

Long-Term, But Not Permanent: The new incentives phase out once the greenhouse gas emissions have been reduced by 28 percent, or in 10 years.

Consolidated Provisions: Almost all existing renewable energy tax incentives are consolidated into these three new provisions, with appropriate transition relief.

No Incentives for Big Oil. The bill repeals tax incentives for the largest integrated oil and gas companies.