



April 3, 2014

The Honorable Ronald L. Wyden
Chairman, U.S. Senate Committee on Finance

The Honorable Mary Landrieu
Chair, U.S. Senate Committee on Energy and
Natural Resources

The Honorable Orrin Hatch
Ranking Member, U.S. Senate Committee on Finance

The Honorable Lisa Murkowski
Ranking Member, U.S. Senate Committee on
Energy and Natural Resources

We are writing on behalf of the American Council On Renewable Energy (ACORE) to strongly encourage you to consider the national security, economic security and environmental security realities of the important Internal Revenue Code § 45 Production Tax Credit (PTC), the § 48 Investment Tax Credit (ITC), and renewable and alternative fuels tax credits. These tax policies heretofore have proven successful in driving private sector investment, expanding renewable energy deployment and reducing the cost of renewable energy power generation and fuels. Publicly available research demonstrates renewable energy development and deployment requires extension and/or parity modification to sustain market momentum, as well as private sector investment in our abundant national renewable energy resources.

Production Tax Credit

On December 31, 2013, the PTC expired for the 5th time in the last 15 years. Publicly available market research reflects a direct reduction of investment in wind, biomass, hydropower, geothermal and waste to energy power generation as a result. Historically, the record shows the PTC was uniformly successful in supporting scale deployment, system cost reduction and lower power rates for consumers. For example, since 2009, scale deployment and rapid innovation, as a result of PTC effects and policy certainty enabled a 40% decrease in the cost of wind power. This is a significant U.S. economic matter because over 60% of all wind turbines are manufactured in over 500 facilities in 44 different U.S. states. For the past five years, annual wind energy private investment averaged over \$15 billion. In 2012, more than 13 gigawatts (GW) of new U.S. wind power capacity were installed surpassing all other sources of power including natural gas. The PTC is equally a historically proven driver of hydropower, the largest single source of renewable energy in the U.S., accounting for 7% of all U.S. power generation, as well as geothermal, anaerobic bio-digestion and biomass power applications, which together total more than 14 GW of installed capacity. These technology plants typically are large, base-load facilities with zero or near zero carbon and other emissions and long operational lives out to 40-60 years. Such plants operate with a 90% or better average electricity generating capacity. Our national security, economic security and environmental security all require a PTC to support continued private sector renewable energy investment and deployment.

Investment Tax Credit

Today's ITC is the cornerstone of the ever expanding U.S. deployment of solar power, which has manifested itself in major solar panel cost reductions. Since the beginning of 2011, the cost of solar panels has retreated 51% and the effect has been demonstrated across the solar supply chain by explosive growth. Today, average installed cost of solar photovoltaics (PV) has fallen from \$7.50 per watt in 2009

to \$2.00 per watt in 2013. Along the way, the solar industry has grown dramatically after ITC certainty was written into law in 2008. The most important metric demonstrated by such visionary certainty: the U.S. solar power industry now employs over 140,000 Americans -- more Americans than are employed in either coal mining or steel production.

Most often, renewable energy projects like most energy projects require multi-year development timelines. This is particularly the case for utility-scale PV and Concentrated Solar Power projects. As with all major U.S. energy development, project specific financing, siting and permitting matters may take years to resolve, and there is always a risk of unforeseen delay. No one can eliminate all the risk, but we can provide policy certainty. Without rules ensuring certainty such projects are hamstrung when it comes to access to financing on reasonable terms. Lack of finance means erosion of American construction and permanent jobs for our men and women.

Today, the marketplace has adjudged that the “commence construction” provision included by Congress for Internal Revenue Code § 45 PTC technologies is a more flexible and predictable standard than the previous “placed in service” provision. The proof is evident in the upsurge in eligible technology project “starts” since enactment. In 2013, over 12,000 MW of new wind generating capacity was under construction, with a record-breaking 10,900 MW starting construction activity during the fourth quarter. Absent such a “commence construction” provision, Internal Revenue Code § 48 technologies: solar, fuel cells, micro-turbines, combined heat and power (CHP) and distributed wind, are artificially put into disadvantaged business and economic position. Essentially, Congress’ delay creating policy parity between Internal Revenue Code § 45 and § 48 technologies is the same as if picking Congress was “winners and losers.” In this matter, the facts are clear: the long-run loser is proven to be American working men and women.

Renewable and Alternative Fuels

ACORE applauds that the present Senate Finance draft includes several renewable and sustainable liquid transportation fuels policy provisions that foster certainty and the resultant potential private sector investment, sector growth, cost declines and innovation for renewable and sustainable liquid transportation fuels production. These provisions include tax credits for alternative fuel refueling property, biodiesel and renewable diesel, and second generation biofuel production, as well as the special depreciation allowance for second generation biofuel plant property. ACORE’s experts maintain that the renewable and sustainable liquid transportation fuels sector is at a critical stage of development with many commercial scale plants now coming online and millions more dollars of private sector investment in the pipeline. While the incumbent interests in the transportation fuel space enjoy permanent tax incentives, now it seems fair for the government to move toward a more consistent, equal and certain policy support for renewable and sustainable liquid transportation fuels.

History teaches us that all of these aforementioned § 45 and § 48 and renewable and sustainable liquid transportation fuels policies are successful tools able to effectively drive private sector renewable energy investment, deployment, production and foster cost reductions. To achieve continued growth, market penetration and international competitiveness, and to help America avoid excessive and risky reliance on fossil fuels, continued deployment at scale of renewable energy is essential. Continued access to time certain tax credits maintains the impressive growth of U.S. renewable energy production and ensures the United States’ national security, economic security and environmental security while creating well-paying, home-grown American jobs.

If we can be of any future assistance in this matter, please feel free to call on us.

Sincerely,

A handwritten signature in black ink that reads "Michael R. Brower". The signature is written in a cursive style with a prominent initial "M".

Michael R. Brower
President and Chief Executive Officer

A handwritten signature in black ink that reads "Todd Foley". The signature is written in a cursive style with a prominent initial "T".

Todd Foley
Senior Vice President, Policy and Government Relations