OPENING STATEMENT
The Honorable Paul Broun M.D. (R-GA), Chairman
Subcommittee on Investigations & Oversight
Joint hearing with
Subcommittee on Energy and Environment
Impact of Tax Policies on the Commercial Application of Renewable Energy Technology

April 19, 2012

Taxes were due to the IRS two days ago. With this fresh on everyone's mind, it is timely for the Committee to fulfill its obligation under House Rule X clause 2(c) to "review and study on a continuing basis the impact or probable impact of tax policies affecting subjects within its jurisdiction." In this instance, we are looking at an important piece of our Committee's jurisdiction, the "Commercialization of Energy Technology." As Congress debates extending renewable energy tax provisions, it is important for this Committee to evaluate the merits of these provisions as well as the President's overall request. At a fundamental level, we have to understand whether these subsidies have a positive net effect on not only energy production, but also jobs, and the economy as a whole. More specifically, we also need to evaluate whether the mechanisms previously employed – tax credits and grants – are the most efficient ways to proceed.

Until the passage of the stimulus bill, the primary tax mechanisms for incentivizing renewable energy were the Production Tax Credit and the Investment Tax Credit. The passage of the stimulus bill brought about additional methods including the Advanced Energy Manufacturing Tax Credit, known as "48C," and the 1603 program which provided cash grants in lieu of tax credits. Both of these are administered by the Department of Treasury with support from the Department of Energy and the National Renewable Energy Laboratory. Altogether, the PTC, ITC, 1603, 48C and other renewable energy provisions are estimated to cost $43.1 billion between 2011 and 2015.

A lot of attention has been paid to the failures of Solyndra, Beacon Power, and Ecotality which received questionable support from DOE, and rightfully so. What many don't realize, however, is that these direct expenditures from DOE are a mere drop-in-the-bucket compared to what these technologies received from tax provisions. In 2011 alone, tax preferences for all energy technologies cost $20.5 billion, far exceeding the $3.2 billion in direct support from DOE. Unfortunately, these significantly greater expenditures have not shared the same level of oversight.

Today's hearing will examine the efficacy of renewable energy tax policy, the Administration's FY 2013 renewable energy tax proposals, and the 1603 and 48C programs in detail. Regarding the 1603 program, it is important to understand just how many new jobs were actually observed, as opposed to how many jobs a model predicts could have been created. It's also important to understand the net impact on jobs and energy production as a result of this specific provision, not simply what is happening on one side of the ledger. I also want to know how many of these jobs were actually created here in the U.S. as opposed to overseas.

Ultimately, our goal should be to ensure an efficient “all of the above strategy” that respects market decisions and does not pile on more debt that our children and grandchildren will have to pay for in years to come. The current national debt is over $15.6 trillion. China currently holds $1.18 trillion of our nation’s $5.1 trillion foreign-owned debt. It doesn’t make any sense for us to borrow more money from China and then use it to buy foreign renewable energy components. These technologies, I might add, are unfortunately not cost-competitive, and will make our domestic energy more expensive. All of this, by the way, is done to reduce our own greenhouse gas emissions when China and the rest of the developing world account for most of the emissions growth.

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