June 14, 2019

Comments of the American Council on Renewable Energy to the Senate Finance Committee Tax Extenders Energy Task Force

The American Council on Renewable Energy (ACORE) is pleased to provide comments to the Senate Finance Committee Tax Extenders Energy Task Force. ACORE works across renewable technologies and represents the nation's leading renewable energy developers, manufacturers and investors, along with corporate electricity consumers, electric utilities, manufacturers of energy storage and smart grid technologies, and the many other diverse industries that comprise the country's thriving renewable energy economy. Renewable sector investment has exceeded $40 billion for each of the last five years and our members are proud of renewable energy's contribution to American economic growth, job creation and energy security.

- **Congress Should Promote a Level Playing Field in Energy Tax Policy, Including Extenders.** While energy tax policy has been an important tool to mobilize capital formation and drive private-sector investment in domestic energy infrastructure and innovation, it should promote a level playing field on which energy resources compete based on economic terms. The tax credits for renewable energy serve to level the playing field as all other major forms of electricity production benefit from tax incentives, most of them permanent and on the books for over a century. These include expensing for intangible drilling costs, percentage depletion for oil wells and tax-advantaged treatment for master limited partnerships. The renewable energy incentives have been temporary, requiring periodic and often frequent renewal with several lapses, all of which has had the impact of distorting market operation and placing renewables at a competitive disadvantage. Presently, the wind and solar tax credits are on schedule to phase out (with the limited exception of a permanent ten percent investment tax credit for commercial and utility-scale solar power). The production tax credit (PTC) will end this year. Incentives for hydropower, biomass and geothermal expired at the end of 2017 and require renewal.

  As the Finance Committee considers the suite of temporary energy tax provisions, it should utilize the extenders process to establish a level playing field for all energy sources and promote needed investment in energy infrastructure. The extenders process may be the nearest term, bipartisan opportunity to make progress on these important objectives. Congress should include in this effort modifications to existing tax provisions to support continued investment in renewable energy on a predictable, long-term basis.

  In 2015, Congress enacted a transition plan to extend and phase down the PTC and ITC for wind and solar. That plan was characterized at the time as the first step in reform of the energy tax provisions. However, in 2017, Congress enacted the Tax Cuts and Jobs Act and did not address the long-term and permanent tax provisions applicable to other energy resources and then in 2018 extended incentives for nuclear power, essentially locking in an unfair advantage for conventional fossil and nuclear energy resources.

Congress needs to address this inequity to promote continued private-sector investment in the nation's energy infrastructure in a way that promotes competition in energy markets so that consumers and businesses have access to reliable, resilient and affordable sources of power, now and in the future. Given growing calls to address climate change, it is especially important that renewable energy be one of our nation's top energy priorities.

- **The PTC and ITC Have Been Effective Policies for Encouraging Investment and Innovation.** Despite requiring periodic renewal and being allowed to lapse on occasion, the renewable energy tax incentives for wind and solar have been effective in driving private-sector investment and innovation in our nation's abundant domestic resources. Over the last nine years, levelized costs for wind and solar power have come down by 68% and 88% respectively. In many areas of the U.S., renewables are the cheapest source of new power, with wind and solar bidding into power markets in the two to four cents per kilowatt-hour range. Renewables are now the largest source of private-sector infrastructure investment, with over $48 billion invested in 2018 alone and more than $521 billion since 2004. Renewables comprised over 18% of total U.S. electric generation and accounted for more than one-third of all new generating capacity in 2018. Once the global leader in renewable energy innovation and production, the U.S. now faces enormous competition from China and elsewhere around the world, underscoring the importance of smart, forward-looking federal policy in this area.

- **Congress Should Consider Implementation of a Technology-Neutral Tax Incentive.** The nation's aging energy infrastructure requires modernization, and a technology-neutral tax incentive would simplify the existing system, drive economic growth and promote competition to ensure low power costs for consumers. The incentive should apply to capital investment in all types of new domestic power generation, as well as new transmission, energy storage and grid modernization technologies. Senator Ron Wyden (D-OR) recently introduced technology-neutral tax credit legislation based on emissions reductions (the Clean Energy for America Act), while Representative Tom Reed (R-NY) authored a bill in 2017 to encourage investment in emerging technologies (the Energy Sector Innovation Credit Act). The Wyden approach is specifically focused on achieving material reduction in greenhouse gas emissions, while the Reed approach is focused on capital invested. Any such incentive should be made permanent.

- **Current Tax Extenders Legislation Should Include Incentives for Energy Storage, Electric Vehicles, Offshore Wind Development and Transferability.** As the Energy Task Force considers longer-term, more permanent tax policy, current tax extenders legislation should be enacted soon to renew expired provisions and include measures that promote important bipartisan policy priorities such as energy infrastructure investment, grid modernization, resilience and innovation. In our view, such measures should include an energy storage tax credit, an extension and expansion of the electric vehicle (EV) credit, an incentive for offshore wind generation and the transferability of existing tax credits.

As mentioned, the tax credit for renewable energy orphan technologies (i.e., geothermal, biomass and hydropower) expired at the end of 2017 and requires renewal. The bipartisan Energy Storage Tax Incentive and Deployment Act (S. 1142/H.R. 2096), introduced in the Senate by Senators Heinrich (D-NM) and Gardner (R-CO) and in the House by Representative Doyle, would accelerate and expand energy storage deployment, improve power system reliability and resilience, and enable greater amounts of renewable energy generation on the grid. The bipartisan Driving America Forward Act (S. 1094/H.R. 2256), introduced in the Senate by Senators Stabenow, Alexander, Peters and Collins and in the House by Representative Kildee, would create jobs, support American manufacturing and reduce emissions in the transportation sector. Additionally, we support inclusion of medium and light-duty electric vehicles in any final EV proposal. A robust federal tax incentive for offshore wind generation would promote development of the nation's vast offshore wind resources. Finally, bipartisan legislation like the Renewable Energy Transferability Act (HR 2704) introduced in the House by Representatives Blumenauer and LaHood would enhance the efficiency of existing tax credits, lower project costs and increase the amount of domestic renewable energy generation.

We welcome the opportunity to discuss these issues in greater detail with you and your staff. Please let us know if we can provide any additional information by contacting Todd Foley, Senior Vice President, Policy & Government Relations (foley@acore.org) or Tyler Stoff, Policy & Research Manager (stoff@acore.org).