

June 21, 2019

The Honorable John Thune  
Co-Lead, Senate Energy Tax Task Force  
U.S. Senate Committee on Finance  
Washington, D.C. 20510

The Honorable Debbie Stabenow  
Co-Lead, Senate Energy Tax Task Force  
U.S. Senate Committee on Finance  
Washington, D.C. 20510

Dear Senators Thune and Stabenow,

Thank you for providing this opportunity to submit a written comment on the Senate Finance Committee's taxation agenda for the 116<sup>th</sup> Congress. On behalf of its more than three million members and activists, the Natural Resources Defense Council (NRDC) urges Congress to extend and modify tax credits for clean energy and energy efficiency as soon as possible. From power generation to building retrofits to clean transportation, these tax credits drive significant investments at a low cost to the taxpayer. Unfortunately, many of these tax credits are outdated or have been expired since 2017.

Given the urgency and scale of transformation needed to address climate change and rapidly decarbonize our economy, it is crucial that Congress provide long-term extensions for these tax credits to accelerate clean energy deployment immediately. One of Congress's top priorities during this session must be to provide tax credits that make the greatest impact toward meeting our nation's climate change goals and commitments.

Actions Congress can take to incentivize energy efficiency in buildings include:

- Extending **Sec. 179D for energy efficient commercial and multifamily buildings** which incentivizes retrofits to existing commercial and residential buildings, and has been expired since 2017;
- Modifying **Sec. 45L for energy efficient new homes** which no longer functions as designed because of changing market conditions. When the credit was enacted in 2005, less than 1 percent of new homes met the qualification levels. However, the credit is now outdated. In some states the minimum code requirement is equivalent to the tax credit criteria, thus ensuring 100 percent free ridership in those areas. NRDC supports restructuring the 45L tax credit that provides a credit for builders of homes based on energy rating indices while establishing rules of fairness to prevent destructive competition between efficiency and renewables and to prevent double dipping with existing renewables tax credits;

- Modifying **Sec. 25C for nonbusiness energy property** improvements to provide a whole-building-based tax credit for energy savings of 20 percent or more, on a sliding scale. Projected savings would have to be verified by a third-party rating. As it is currently designed, 25C is very costly and has mostly gone for windows that would have been installed without the tax credit anyway.

Actions Congress can take to accelerate renewable energy deployment include:

- Extending **Secs. 45 and 48(a)(5) for energy produced from certain renewable resources** such as closed-loop biomass, geothermal facilities, small irrigation power, municipal solid waste, marine/hydrokinetic, and certain hydropower facilities;
- Modifying **Sec. 48(a)(3) to include energy storage equipment** which receives, stores, and delivers energy using new and existing technologies.
- Modifying **Sec. 48 for qualifying advanced energy projects** to acknowledge the difference between onshore and offshore wind, which are on vastly different deployment and cost curves. Decoupling offshore and onshore wind will allow the credit for offshore wind to be fully utilized and unlock 4.2 terawatts in potential pollution-cutting, domestic, reliable energy.

Actions Congress can take to address transportation sector emissions, which are the largest source of emissions in the United States include:

- Extending **Sec. 30B for alternative motor vehicles, Sec. 30C for alternative fuel vehicle refueling property, and Sec. 30D for qualified plug-in electric motor vehicles.**

These tax extenders and modifications help Americans save money, reduce climate-warming emissions, and create jobs. In 2018, clean energy jobs outnumbered fossil fuels jobs nearly three to one (3.26M to 1.17M) and clean energy employers said they anticipate 6 percent job growth for 2019. This positive outlook rests on the assumption that Congress will extend the tax incentives that drive investment to these sectors.

Beyond the short-term goal of simply extending these provisions listed above, we strongly encourage Congress to consider other long-term solutions for incentivizing clean energy investment and deployment. This could include extensions of the Wind Production Tax Credit (PTC) and the Solar Investment Tax Credit (ITC) beyond their current sunsets coming very soon and allowing transferability between the Wind PTC and ITC. Congress should also explore creative and new energy tax incentive structures designed to be more technology-neutral and based on emissions targets rather than calendar years, which is a rather arbitrary way to measure tax outcomes anyway.

Finally and importantly, clean energy and energy efficiency lessens our nation's reliance on fossil fuels, which receive billions more in tax subsidies than clean energy. The Joint Committee on Taxation offers two broad rationales for tax policy intervention in the energy market—energy independence and addressing pollution. The policies listed above accomplish both. After over a century of subsidies, the United States fossil fuel industry remains one of the worst polluting sectors in the economy, and we still rely on it heavily. We urge Congress to finally rectify these longstanding market distortions and the catastrophic environmental externalities created by them by providing long-term, consistent investments in energy efficiency, clean vehicles, and renewable energy as soon as possible.

Once again, we believe that the goal of our energy tax policy is a simple one: promote clean energy that advances our national interest by reducing dependence on the dirty energy sources of the past. To do that, we must double down on the nation's investment in clean energy, while ending antiquated policies that promote the very pollution we must end to ensure the health of our children's future.

Thank you for your consideration. For more information on any of these subjects please contact Marc Boom ( [mboom@nrdc.org](mailto:mboom@nrdc.org) ) or Dan West ( [dwest@nrdc.org](mailto:dwest@nrdc.org) ).

Sincerely,

John Bowman  
Managing Director, Government Affairs  
Natural Resources Defense Council

CC: Chairman Grassley, Ranking Member Wyden, and Members of the Senate Finance Committee Energy Tax Task Force (Sens. Roberts, Carper, Cornyn, Whitehouse, Cassidy, and Hassan)