

The Honorable Chairman Max Baucus
United States Senate
511 Hart Senate Office Building
Washington, DC 20510

The Honorable Ranking Member Orrin G. Hatch
United States Senate
104 Hart Senate Office Building
Washington, DC 2051

CC: Members of Senate Finance Committee

November 12, 2013

Dear Senator,

On behalf of our millions of members, supporters, and activists we urge you to move the country forward by extending critical renewable and energy efficiency tax incentives.

We understand that members of the Finance Committee continue to discuss the future of the nation's tax code writ large. However, there are many clean energy tax incentives that may expire before Congress passes broad reform. We urge you to ensure that these credits do not expire because these provisions are vital to the economy, the environment, and public health. Without any clear directional policy, renewable projects cannot plan for the future. This has placed huge uncertainty on burgeoning and fledgling clean energy industries.

Our tax code represents our priorities as a nation. Furthermore, it is in the national interest to cut pollution and grow the economy. Key tools in meeting those goals are clean energy and energy efficient tax credits which must be updated and extended. At the same time, all forms of subsidies to dirty polluting industries should end. We cannot continue to direct scarce tax dollars to industries that are mature, freely pollute our air without penalty, are the main contributor to climate change, and are reporting record profits. Furthermore, tax credits to the fossil fuel industry have lasted hundreds of years, while renewable energy credits have had to fight for frequent extensions for the past couple of decades.

Tax provisions like the production tax credit and the investment tax credit have helped move technologies like wind and solar from the margins to mainstream forms of technology that drive private investment, create jobs, and move us closer to a clean energy, carbon-free future. Energy efficiency tax credits have improved housing and made it more affordable. With continued long-term support, these technologies and others will help us reduce harmful pollution, including the carbon reductions we need to avoid the worst effects of climate change, while also saving money for consumers

A list of the incentives Congress must extend and enhance is below. These tax incentives have a history of success and bipartisan support:

- **Section 45 Renewable Energy Production Tax Credit (PTC).** This provision has been a critical tool to support investments in renewable energy, including wind. The credit expires at the end of this year, but uncertainty on whether Congress will act has led to sharp drops in investments in wind energy production, threatening the livelihoods of the more than 80,700 people in nearly every state in the

nation who are now in wind-supported jobs. When Congress allowed the PTC to expire in the past, wind installations dropped between 73 and 93 percent. Due to the brief expiration of the PTC early this year, the number of wind energy installations slowed dramatically. Only 1.6 megawatts of wind was installed during the first quarter of 2013, and none were installed during the second. Congress must enact a multiyear extension of this incentive to ensure the continued growth of renewable energy industries.

- **Section 48 Investment Tax Credit (ITC) for Offshore Wind Energy.** Offshore wind energy represents our largest untapped clean energy resource. Wind turbines off our coasts can harness fast wind speeds to power our homes and businesses with pollution-free energy and create new manufacturing jobs. However, there are still no operating offshore wind facilities in U.S. waters. Under current law, an offshore wind project will be eligible for the ITC if that project commences construction before the end of 2013. Many projects come very close to meeting that deadline, and at least two projects may be able to qualify for this tax credit, but none have yet. A long-term extension of the ITC for offshore wind must be provided in order to jumpstart this clean energy industry and create thousands of good-paying American jobs. Legislation providing a long-term extension of the offshore wind ITC to the first 3,000 megawatts was introduced by Senators Carper and Collins (S.401) and Reps. Pascrell and Lobiando (H.R.924) in both the Senate and the House, respectively.
- **Section 48 Solar Investment Tax Credit (ITC).** This critical policy is set to expire at the end of 2016, but because the timelines for solar projects vary and can be uncertain, many developers are worried that their projects will not be online by the time the credit expires. The Finance Committee must extend the commence construction language that was adopted last year for the PTC to the ITC. The Solar Energy Industries Association estimates that the commence construction change would help drive an additional 4,000 megawatts of solar capacity in 2017 and 2018, and would create tens of thousands of additional new domestic jobs. Currently, the U.S. has 9,400 megawatts of installed solar electric capacity -- enough to power more than 1.5 million American homes. Employment in the American solar industry has grown from an estimated 15,000 employees in 2005 to nearly 120,000 today, working in over 6,100 companies in all 50 states.
- **Section 48C Advanced Energy Manufacturing Tax Credit.** Created in 2009, this program leveraged \$5.4 billion in vital private investments in new, expanded, or re-equipped clean energy manufacturing projects throughout the country, boosting growth and creating thousands of new U.S. manufacturing jobs by producing components and equipment for the burgeoning global renewable energy industry. We urge that Congress pass an additional allocation for 48C, so that we can continue to grow our domestic renewable energy industry from the beginning to the end of the supply chain.
- **Section 45L Efficient New Homes Tax Credit.** Section 45L is a highly successful incentive that has transformed the market for energy efficient new homes, but it expired at the end of last year. The incentive saved homeowners significant money on their energy bills, enabling them to make ends meet during these tough economic times. Congress should extend the credit for one year and add a tier for even higher efficiency homes that would expire after four years.
- **Section 45M Efficient Appliances Manufacturer Tax Credit.** Section 45M promotes the manufacture of high-efficiency appliances, including washers and refrigerators, but it expired at the end of last year. Extending the incentive would not only save homeowners money on their energy bills, but also encourage domestic manufacturing of high-efficiency appliances. According to the Association of Home Appliance Manufacturers (AHAM), 40,000 jobs are affected by the Section 45M tax credit, which accounts for at least 17,000 direct manufacturing jobs and 23,000 jobs that support the manufacturing of the affected products. Congress should extend certain tiers of the incentive in accordance with a 2010 agreement between domestic manufacturers and energy efficiency advocates.
- **Section 132 (f) Transportation Fringe Benefits.** In 2009, Congress established parity between the parking and transit/vanpool benefit at a monthly cap of \$230 per month. The parity helped increase

transit and vanpool ridership across the country in the face of increased energy and transportation costs. The provision also helped save hundreds of millions of dollars for small businesses and corporations who decided to provide assistance to their employees with commute alternatives. Parity expired at the end of 2011, and the resulting decrease of the transit benefit from \$230 per month to \$125 per month will act as a \$500 per-year tax on transit riders with some of the longest commutes.

- **Section 179D Commercial Building Tax Deduction.** Section 179D motivates private building owners and public building designers to cut energy use in commercial buildings. With over 4.8 million commercial and other non-residential buildings in the United States, spending more than \$100 billion every year on energy costs, energy efficient new construction and retrofits can result in significant savings for U.S. businesses. The Political Economy Research Institute (PERI) estimates that from retrofits alone, commercial building energy efficiency could save U.S. business owners \$1.4 billion in energy costs and create at least 77,000 jobs. Despite its promise, the incentive is set to expire at the end of this year. Congress should extend the tax deduction, emphasizing building energy performance and making the deduction available to others in addition to building owners and designers, as proposed by Senators Snowe and Bingaman in the Cut Energy Bills at Home Act of 2011 (S. 1914).
- **Section 30B(d)(2)(B) Credits for Hybrid Medium- and Heavy-Duty Trucks.** Hybrid and electric drive technologies are ripe for deployment in medium- and heavy-duty trucks, especially those in stop-and-go urban, port and industrial sites. Hybrid and electric drives can increase fuel efficiency in trucks from 20 to over 50 percent, yet the incentives for producing and deploying them expired in 2011. Medium- and heavy-duty vehicles are second only to automobiles in oil consumption, and they are responsible for 20 percent of U.S. transportation-based greenhouse gas emissions. These incentives will help accelerate the development and deployment of more efficient and cleaner vehicles and help create domestic jobs.

Clean energy tax incentives are critical to reducing pollution that harms human health and the environment. Investing in energy efficiency and renewable energy also creates jobs, saves consumers money, and enhances our international competitiveness. Once again, we urge you to ensure the incentives described above are enacted as soon as possible.

Americans value sustainability, investments in local economies, and healthier communities. Please work to ensure that our tax code reflects those values.

Sincerely,

Clean Air Council
Clean Coalition
Clean Water Action
Earth Day Network
Environment America
Friends of the Earth
Green for All
Greenpeace USA

League of Conservation Voters
Montana Environmental Information Center
Natural Resources Defense Council
Oceana
Safe Climate Campaign
Sierra Club
Southern Alliance for Clean Energy
Southern Environmental Law Center
The Wilderness Society