Wind Energy Industry Tax Priorities
June 2019

Although the renewable energy production tax credit (PTC) for wind phases out at the end of 2019, a number of tax provisions impacting wind energy projects and deployment will be debated this Congress. ACP supports advancing three complementary policies in the near-term: (1) allowing the PTC and investment tax credit (ITC) to be transferable on a limited basis to ease the barriers in recruiting capital to finance projects as the PTC/ITC phase out; (2) providing a 30% ITC for stand-alone storage technologies to enhance grid resilience and support greater levels of wind energy on the grid, and (3) providing a 30%, long-term ITC to boost production in the nascent U.S. offshore wind industry and bring clean energy to millions of additional consumers.

With respect to broader conversations around long-term, pro-growth tax policy, the wind industry supports a technology neutral tax incentive based on a carbon emission metric.

History

Tax policy can be an important driver that prompts private investment, benefits the U.S. economy and creates new jobs. Just as tax treatment for other energy sources has enabled growth and development, the Production Tax Credit (PTC) helped wind developers access the capital needed to build new wind projects.

The PTC was originally authored by Senator Chuck Grassley (R-IA) and former Representative Phil Sharp (D-IN) as part of energy legislation in 1992. The PTC helped launch the wind industry as we know it. However, at times a lack of policy certainty around the PTC hampered the growth of American wind power. For many years, Congress cycled through the tax credit in one or two-year stints and allowed it to expire multiple times. This cyclical pattern resulted in boom-bust cycles of development.

In December 2015, with strong bipartisan support, Congress agreed to a stable phase-out of the PTC to be completed by December 31, 2019. This long-term policy certainty created a business environment primed for growth, which benefits American families and businesses. Because of this, today over 114,000 Americans across all 50 states work in wind.

Achievements under the PTC

• The PTC is a successful policy, spurring investment and the establishment of a U.S. manufacturing base that helped drive U.S. wind power costs down by 69 percent since 2009 according to the U.S. Department of Energy and Lazard Asset Management.

• The U.S. wind industry has invested over $143 billion in wind farm development over the last 10 years.

• Wind energy supports over 114,000 well-paying jobs, including many manufacturing, construction, and technical jobs across the country.
Post-PTC Wind Energy Development

Because the PTC has been successful in helping establish a reliable, competitive domestic wind industry, wind will continue to expand capacity and deliver economic benefits for Americans and their communities.

Although the renewable energy production tax credit (PTC) for wind phases out at the end of 2019, a number of tax provisions impacting wind energy projects and deployment will be debated this Congress. AWEA supports advancing three complementary policies in the near-term.

Limited PTC and ITC Transferability

Allowing the PTC and investment tax credit (ITC) to be transferable on a limited basis will ease the barriers in recruiting capital to finance projects as the PTC/ITC phase out. Just as the nuclear energy PTC was modified to allow for limited transferability to facilitate project development, PTC/ITC transferability would allow developers to structure the financing of projects without relying on tax equity partnerships and their inherent tax accounting difficulties. By mitigating the additional challenges of the phase down in 2018 and 2019, the wind industry could continue to utilize the PTC/ITC to lower clean energy prices for consumers.

Resolving this challenge by providing a transferable PTC/ITC is estimated to promote 4 to 7 gigawatts (GW) of incremental wind power capacity additions through 2023, assuming the policy is in place before 2020. ACP urges Congress to pass H.R. 2104, the Renewable Energy Transferability Act, a bipartisan bill that would provide limited PTC/ITC transferability for renewable energy projects.

ITC for Offshore Wind Energy

With stable policies in place, the Department of Energy estimates the U.S. could develop a total of 22 GW of offshore wind projects by 2030 and 86 GW by 2050. As our nation continues to develop this homegrown resource, costs will continue to drop, value to consumers will grow, and the U.S. will see new jobs and investments in manufacturing and port infrastructure.

To realize this opportunity, AWEA supports a 30%, long-term ITC for offshore wind energy production. A tax credit for offshore wind energy will make this nascent form of wind energy more cost-competitive and save money for the consumers who are demanding more clean energy production in their states. AWEA urges Congress to pass a 30%, long-term ITC for offshore wind energy.

Carbon Based Technology Neutral PTC/ITC

With respect to broader conversations around long-term, pro-growth tax policy, the wind industry supports a widely applicable, transferable technology neutral PTC/ITC based on carbon emissions to build our economy and lower prices for consumers. This framework would create a level playing field among energy generation sources and provide a stable, certain business environment. If enacted, a carbon-based technology-neutral PTC/ITC is estimated to foster 40 to 60 GW of incremental wind power capacity additions over a 10-year period.

ITC for Stand-Alone Storage Technologies

To offset the high cost of storage systems, a stand-alone tax credit is needed. Currently, only storage systems integrated with solar energy under a narrow set of conditions are eligible for a 30% ITC. Creating a stand-alone ITC for all storage technologies will widely benefit other electricity technologies and enhance grid resilience. For wind energy, a stand-alone storage ITC is estimated to support an additional 2 to 4 GW of incremental wind power capacity additions through 2027, assuming the tax credit is enacted by 2020. ACP urges Congress to pass the 30% ITC for storage included in S. 1142 and H.R. 2096, bills with bipartisan support.

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