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AWEA AMERICAN WIND ENERGY ASSOCIATION

Production Tax Credit (PTC)

Predictable Policies Improve Investment

It's a wonder there's a U.S. wind industry at all, when you consider the lack of certainty companies have had to confront through the years. First, consider that for nearly 100 years, old technologies have benefited from policy stability that provides a consistent environment in which to operate, plan, and grow.

Now consider wind power. The federal PTC – the primary financial policy for the wind industry through the years – has been extended mostly in one- and two-year intervals, and even allowed to expire on occasion. The up-and-down nature of the industry is mainly the result of this short-term – and short-sighted – policy environment.

What is the Production Tax Credit?

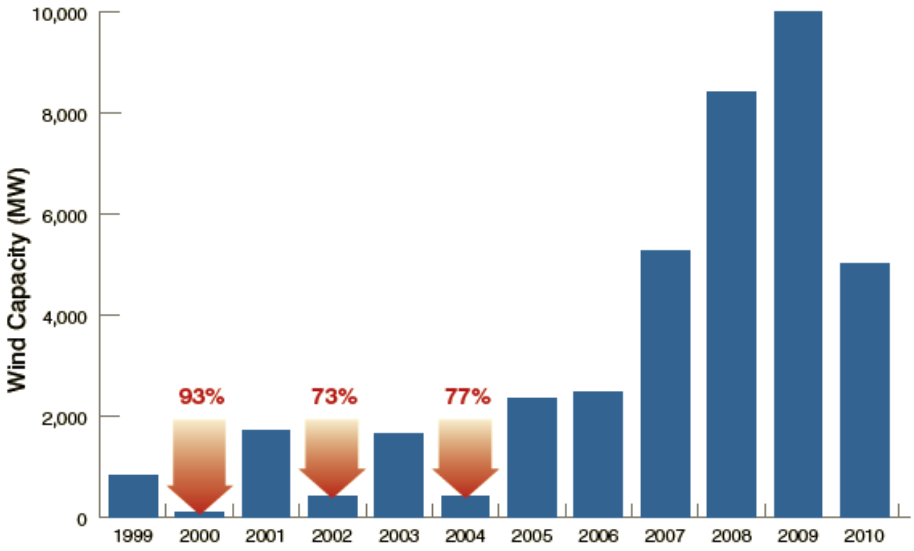
Under federal law, the Production Tax Credit (PTC) provides an income tax credit of 2.2 cents per kilowatt-hour for the production of electricity from utility-scale turbines. This incentive was created under the Energy Policy Act of 1992. The PTC applies for the first 10 years of electricity production. It is set to expire on December 31, 2012.

Additionally, through Section 1603 of the American Recovery and Reinvestment Act of 2009, wind project developers can choose to receive a 30% investment tax credit (ITC) in place of the PTC. For projects placed in service before 2013, at which construction begins before the end of 2011, developers can elect to receive an equivalent cash payment from the Department of Treasury for the value of the 30% ITC.

A different federal incentive, the small wind investment tax credit is available for smaller turbines used to power individual homes or businesses through December 31, 2016.

The wind industry seeks long-term tax policies, lasting more than just a few years, to provide consistency and market certainty.

Lack of Stable Market Signals Creates a Boom-Bust Cycle for Wind



The wind industry seeks a full-value, long-term extension of the PTC

The wind industry seeks a long-term extension of the PTC at full value to ensure consistency and market certainty. While the industry was fortunate to gain short-term extensions in the past, these shorter time periods create uncertainty and a "boom-and-bust" cycle of short-term planning, near annual job layoffs and higher cost projects. Without a long-term policy, manufacturers are discouraged from investing in, and expanding, manufacturing facilities in the U.S.

There are several negative consequences of Congress waiting until the last minute to extend the PTC, as the industry has seen in the past. At least six to eight months before the tax credit expires, financial lenders hesitate in providing capital for wind projects because of the uncertainty created by the impending expiration of the credit. This stalls wind project development. Additionally, as the PTC nears expiration, developers rush to complete projects before the deadline, leading to smaller projects and added costs, which result in higher electricity prices. For these reasons, we urge Congress to pass legislation that provides a long-term extension of the PTC this year.

The PTC is an effective policy tool for growing the wind industry

The PTC is an effective policy tool to help developers raise capital in the marketplace, complete financing of wind projects, and bring those projects to completion. In the past five years, as the industry has benefitted from a continuous PTC, the wind industry has seen a robust average annual growth rate of 35%. Equally impressive, electricity from wind power capacity in the U.S. supplies electricity equivalent to that used by over 10 million American homes. There are now 38 states with utility-scale wind turbines. And, there are 75,000 jobs supported by the wind industry across all 50 states, including manufacturing jobs at over 400 facilities.

A tax policy that lasts more than just a few years will provide the consistency and market certainty that the wind industry needs for continued growth. According to the Bush Administration's U.S. Department of Energy report, "20% Wind Energy by 2030: Increasing Wind Energy's Contribution to U.S. Electricity Supply," wind can play a major role in meeting America's increasing demand for electricity, while producing multiple other multiple benefits. Having 20% of the nation's electricity come from wind power is feasible with today's technology, the report found. Moreover, installing more wind power would foster rural economic development, job creation, and energy price stability (by sidestepping fossil-fuel price volatility in addition to easing the pressure on natural gas prices). In the decade leading up to the 20% wind power benchmark, the U.S. wind industry could support roughly 500,000 jobs. It could also increase annual payments to rural landowners to more than $600 million in 2030. The wind industry is on track to produce 20% of America's electricity by 2030, but is looking to Congress to put the right incentives in place to drive this level of growth.