The Business Council for Sustainable Energy®

April 15, 2015

The Honorable Orrin Hatch, Chairman
Senate Finance Committee
104 Hart Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden, Ranking Member
Senate Finance Committee
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Hatch and Wyden:

The Business Council for Sustainable Energy (BCSE) thanks you for the leadership, time and consideration you and your staff have given to seek input regarding bipartisan tax reform through the Working Groups you have established and we appreciate the opportunity to share our views.

BCSE is a coalition of companies and trade associations from the energy efficiency, natural gas and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, public power and commercial end-users. Founded in 1992, the Council advocates for policies that expand the use of commercially-available clean energy technologies, products and services. The coalition's diverse business membership is united around the revitalization of the economy and the creation of a secure and reliable energy future for America. A document with information about the BCSE is attached for your reference. As a diverse business coalition, not all BCSE members endorse or take a position on the following comments.

Like other sectors of the U.S. economy, including aviation, housing and agriculture, energy industries receive support from the federal government in the form of R&D spending, direct payments and tax incentives. Stable tax policy provides predictable market conditions and enables clean energy businesses to grow, reduce costs and attract investment. Existing clean energy tax credits, such as the Production Tax Credit (PTC), Investment Tax Credit (ITC), and energy efficiency tax credits, have achieved substantial success and have allowed our nation to reap the significant energy, economic, national security and environmental benefits associated with utilizing clean energy resources while reducing costs for homeowners and businesses. Over the last five years the U.S. economy has continued its shift to the increased production and consumption of lower-carbon energy, and energy efficiency, renewable energy and natural gas are contributing to these rapid shifts in energy production, distribution and use. This has been driven in large part by federal tax policy, which has been as effective as any state or federal energy policy mechanism in helping to ensure an adequate, reliable, safe, clean supply of energy resources

However, the short term nature and uncertainty of the incentives in the current tax code have led to layoffs and higher project costs for some technologies. Financial lenders hesitate to provide capital, stalling project development, while developers rush to complete projects, reducing size and adding cost. For these and other reasons, Congress has expressed an interest in reforming the nation's tax code to make it simpler, fairer, and more efficient.

BCSE believes that to accomplish this goal the tax code should recognize the benefit of establishing energy incentives that are more predictable, longer-term, and that provide a level playing field to increase our energy security and to ensure a clean and healthy environment. Tax credits should be flexible to accommodate advances among fuels and technologies and to promote

domestic energy production and reduce pollution. The credits should provide businesses and investors with more certainty by making the incentives long enough to be effective for a range of technologies and business cycles.

Congress should ensure that long-term and stable energy efficiency tax measures for industry, commercial buildings, appliances and residential consumers are incorporated into the tax code. The range of energy efficiency tax credits currently in the code have resulted in increased efficiency in new and existing buildings and the expanded manufacture and purchase of appliances which have reduced greenhouse gas footprints.

The Production Tax Credit (PTC) and Investment Tax Credit (ITC) encourage development of proven renewable energy projects, such as landfill gas, biomass, waste-to-energy, fuel cells, hydropower and marine and hydrokinetic, wind, solar, and geothermal resources. According to the 2015 edition of the BCSE-BNEF *Sustainable Energy in America Factbook*, these renewable energy technologies occupy a prominent part of many states' capacity mix, with 205GW installed across the country. Wind and solar have been the fastest growing technologies, having more than tripled in capacity since 2008 (from 27GW to 87GW in 2014). Hydropower is the largest source of US renewable energy at 79GW (excluding pumped storage). Geothermal, biomass, biogas, and waste-to-energy collectively represent 17GW of renewable energy capacity in the US. Yet new build across geothermal and bioenergy-based power has been relatively low the past two years. These technologies provide a steady flow of power regardless of external conditions and have comparable economics (in terms of unsubsidized levelized costs) to some technologies that have seen wider deployment. However, hydropower, geothermal, waste-to-energy and other bioenergy-based power are suffering from not having access (despite having eligibility) to the same incentives received by faster-growing sectors and, more generally, from an absence of long-term policy certainty.

Long-term and stable tax policy is also needed for transmission, energy storage technologies, and combined heat and power (CHP) which is both clean and efficient due to its ability to produce both thermal and electric output simultaneously. Clean vehicles and clean transportation fuels, including fuel cell electric vehicles and accompanying hydrogen infrastructure, should attain parity with other electric vehicle platforms.

Congress should resist efforts to reduce or eliminate the commercial and residential ITC for industries such as the solar and fuel cell industries, or replace the Modified Accelerated Cost Recovery System (MACRS) with a depreciation system based on economic lives. The ITC as currently structured, is beginning to have the desired impact on a number of technologies, such as solar and fuel cells. The ITC exemplifies the importance of stable policy for the private sector and reveals a high return on public investment in terms of economic benefits, domestic job creation, energy security and lower costs for consumers. In addition, consideration should be given to how the natural gas industry recovers costs related to production and the impact on domestic investment. BCSE also encourages Congress to expand Master-Limited Partnership (MLP) eligibility from primarily oil & gas sectors to renewable energy and energy efficiency technologies that are a growing part of America's energy infrastructure.

As a counterpart to these private sector tax incentives the Clean Renewable Energy Bond (CREB) program provides tax credit bonds to consumer-owned utilities which assists in the financing of renewable electricity facilities whose benefits would flow directly to utility customers. Congress should provide adequate funding for the CREBs program or establish a policy mechanism similar to the PTC that works for public power.

We appreciate the opportunity to share the Council's views. For more information on the tax reform perspectives from the renewable energy, energy efficiency and natural gas sectors, we would refer the Committee to the industry comments by individual Council members. Please feel free to contact me in the Council's offices with any comments or questions.

Sincerely,

Lisa Jacobson, President
Cc: Members of the Senate Finance Committee