June 21, 2019

The Honorable John Thune, Co-Lead
Senate Energy Tax Task Force
511 Dirksen Senate Office Building
Washington, DC  20510

The Honorable Debbie Stabenow, Co-Lead
Senate Energy Tax Task Force
731 Hart Senate Office Building
Washington, DC  20510

Dear Senators Thune and Stabenow:

The Business Council for Sustainable Energy (BCSE) appreciates the opportunity to submit the following comments to the Senate Finance Committee Energy Tax Task Force on temporary tax policy in the Internal Revenue Code and respectfully requests the opportunity to share its views with you in an in-person meeting with the Task Force.

BCSE is a coalition of companies and trade associations representing the energy efficiency, natural gas and renewable energy sectors. Founded in 1992, the Council advocates for policies that expand the use of commercially-available clean energy technologies, products and services. Its membership includes project developers, industrial manufacturers, equipment and technology providers, independent electric power producers, investor-owned utilities, public power and energy and environmental service providers.

BCSE is pleased to have an independent initiative under its banner, the Clean Energy Business Network (CEBN). CEBN represents small- and medium-size businesses providing clean energy technologies and services, including 3,000+ clean energy professionals across all 50 U.S. states. A number of these professionals signed onto a letter that CEBN submitted to the Finance Committee earlier this year expressing the need for energy tax extenders; please see the enclosed file for reference.

Together, BCSE and CEBN represent a broad range of the clean energy economy, from Fortune 100 companies to small businesses working in all 50 states and over 350 Congressional districts. On a national basis, the energy efficiency, natural gas and renewable energy sectors support over 3.5 million U.S. jobs.

BCSE and CEBN members have a wide range of energy policy interests. As a broad-based coalition of businesses and trade associations, not all BCSE and CEBN members take a position on or endorse the views offered in these comments.

We commend Congress for its accomplishments in the 115th Congress. For example, several important measures were enacted that have been long-supported by the Council and its members, including the extension of a number of clean energy tax measures. While these actions have been very positive for some of our industry members, there are still some technologies from industry sectors that BCSE represents that are now at an even larger competitive disadvantage. As Congress continues its work on budget and tax issues, the Council encourages you to maintain the positive momentum that has been achieved and use it to provide parity for the other clean energy industries our country needs.

Temporary Tax Policy Creates an Uneven Competitive Environment

It is essential to extend the expired energy-related tax measures. Specifically, Congress should reinstate the energy efficiency measures and provisions for the non-wind Production Tax Credit technologies (hydropower, waste to energy, biomass, biogas and geothermal). This is needed to provide a more even competitive environment for investment in these sectors.

In addition, BCSE supports a range of other energy tax measures and modifications addressing sectors such as building efficiency, including the §179D Energy Efficient Commercial Building Tax Deduction; the §25C Nonbusiness Energy Property Credit that incentivizes homeowners for efficiency upgrades and equipment purchases; and the §45L Energy Efficient New Home Construction Credit.

Further, Congress should enact legislation to clarify that the entire portfolio of energy storage (i.e., grid batteries, pumped hydro, compressed air/liquids, thermal storage) qualifies for a §48 tax credit, and should extend several transportation-related credits, including the §30C credit for alternative fuel infrastructure; the §30B credit for fuel cell vehicle purchases; and modify the §30D impacting electric vehicle purchases.

With the bipartisan introduction of the Tax Extender and Disaster Relief Act of 2019 earlier this year by Senate Finance Committee Chairman Chuck Grassley and Ranking Member Ron Wyden, as well as current legislation under consideration by the Ways and Means Committee, BCSE hopes action can be taken quickly this session.

The U.S. Electricity Sector is in the Midst of a Rapid and Structural Transformation

The electricity sector is in the midst of a rapid and structural transformation – in terms of technology integration and its interconnection with buildings and transportation. Decentralized systems are emerging, and multiple technologies can be integrated to provide a balanced and flexible system. Further, grid-connected buildings and vehicles are responding to electricity system needs, providing new sources of system flexibility.

The sector is also being impacted by natural disasters and is facing the threat of cyber attacks. As such, the sector is looking to become more resilient, but the process is ad hoc and slow. In terms of physical resilience, there are more technology options available to fortify centralized and distributed energy systems, including advanced microgrids, bi-directional inverters and more responsive substation operations.

Statistics from the 2019 Sustainable Energy in America Factbook, released earlier this year by the Business Council for Sustainable Energy and BloombergNEF provides up to date, annual national information on key trends in the U.S. energy sector and serves as a reference guide of leading energy statistics for use by policymakers and other stakeholders. The Factbook documents several noteworthy overarching electricity sector trends and demonstrates the impact policy has had in contributing to these changes.

Energy efficiency, natural gas and renewable energy are the growth areas of the U.S. electricity sector, delivering affordable, safe and reliable power to homes and businesses. Further, investment in these sectors – combined with the deployment of a range of technologies such as energy storage, combined heat and power, and fuel cells, along with demand response, automation and digital applications – is decarbonizing the power sector, keeping electricity costs low and creating jobs.

Carbon capture, utilization and storage can also play a role, especially with new policies like the extended and expanded 45Q tax credit in place. 

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3 Please see: https://www.catf.us/2019/02/ccs-reduce-49-million-tonnes-co2-emissions/.
The U.S. electricity generation mix is changing rapidly, at the end of 2018:

- Natural gas accounted for 35 percent of electricity generation, making it the number one source of U.S. electric power, up 25 percent over a five-year period;
- Renewable energy generation accounted for 18 percent of U.S. electricity generation, nearly on par with the nation’s nuclear fleet;
- Coal generation has declined, ending 2018 at 27 percent of the power mix; and
- Looking back over the past twenty-five years, natural gas and renewable energy represent over 94 percent of U.S. electric capacity additions, pointing to a structural change in the power generation mix.

Energy efficiency investment has reached new heights:

- Total U.S. spending on energy efficiency through formal frameworks – such as utilities, Energy Savings Performance Contracts (ESPCs) and Property Assessed Clean Energy Programs (PACE) – climbed to a record level of $15 billion in 2017 (the most recent year for which data is available).

Electricity prices are low for households and businesses:

- Consumers devoted a smaller share of their spending in 2018 towards electricity than at any time ever recorded, and the total share of household expenses dedicated to energy costs overall also hovered near an all-time low;
- The U.S. remains competitive globally for energy-intensive industries thanks to low industrial power prices;
- Natural gas prices have fallen dramatically over the last decade: industrial prices have fallen 59 percent; commercial gas prices have declined 37 percent and residential prices have declined 21 percent. In 2018, the average price was $3.20/MMBtu.
- Prices for wind and solar Power Purchase Agreements (PPAs) have also fallen dramatically as the levelized costs decline.

Energy efficiency, natural gas and renewable energy provide U.S. jobs:

- The renewable energy, energy efficiency and natural gas sectors supported over 3 million U.S. jobs in 2017.4

Contributions to the Changing U.S. Electricity Sector

The market dynamism in the electricity sector is partly credited to policy frameworks – at the federal, regional, state and local levels – combined with the new wave of activity by corporations in terms of electricity sector investment, renewable energy procurement and energy efficiency spending.

At the federal level, tax policy, along with other policies that have been implemented over the past two decades, has contributed to the changing electricity sector.

BCSE Supports a Range of Policies Measures to Accelerate Deployment of Affordable, Reliable and Clean Energy Sources

BCSE supports a range of policies that share bipartisan support and we hope will be enacted in the 116th Congress in the areas of infrastructure, energy, research, development and deployment and tax policy.

BCSE also supports federal legislative action to address climate change mitigation and to improve resilience. The congressional hearings this year show a renewed and bipartisan focus on federal climate change policy. Critical to any climate change policy is that it be market-based and inclusive of the broad range of readily-available clean energy

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technologies that can reduce emissions—affordably and reliably. Smart policies will focus on leveraging private sector investment and send strong and long-term market signals to reduce emissions.\(^5\)

To maintain a diverse portfolio of energy technologies, Congress should formulate and enact stable, long-term policy frameworks, including tax policy, that will support the deployment of the full scope of clean energy technologies in a meaningful way. These measures span power generation, building efficiency and transportation and can provide significant public benefits in the areas of energy reliability and security as well as environmental, economic and jobs benefits.

Tax policy has been an effective policy tool to deploy a range of clean energy technologies. In the absence of a federal policies in other areas, the tax code may be a tool that policymakers consider to accelerate deployment and investment. As Congress moves forward, it should consider the full landscape of energy-related tax measures, as some are expired, some are soon to be expiring and some are new areas of focus.

There are many possible objectives to be considered in the formulation of tax policy, including, but not limited to:

- Deployment of clean energy
- Reduced energy use
- Emissions reductions—air quality and climate change
- Job creation
- Waste management
- Forest management
- Grid flexibility
- Resilience

Looking forward, tax policy must address the nuances of different business models and technology deployment pathways, as well as create a level playing field for all technologies to participate. New build and existing fleets should be considered in the development of tax policy and tax policy should address electric generation, transportation fuels and energy efficiency. Co-benefits beyond power production should be considered such as, grid flexibility and integration of technologies, emission reduction, hazardous waste disposal, forest management, water quality improvements, resilience, etc. Of note, technologies that provide multiple benefits may require specific measures.

BCSE will continue to explore options and opportunities to enact stable tax policy and the Council looks forward to working with members of the Senate Energy Tax Task Force to achieve these objectives. For questions or further information, please contact Ruth McCormick on the Council’s staff at rmccormick@bcse.org.

Sincerely,

Lisa Jacobson, President

Cc:
Senator Pat Roberts (R-KS) Senator Thomas Carper (D-DE)
Senator John Cornyn (R-TX) Senator Sheldon Whitehouse (D-RI)
Senator Bill Cassidy (R-LA) Senator Maggie Hassan (D-NH)