



MEMORANDUM

April 22, 2009

ARRA Provisions on Tax Incentives and Government Spending Programs for Renewable Energy Projects

Among the many programs benefiting from the ARRA law, renewable energy projects will receive significant funding support to expand research, development and deployment activities. Below is a summary of these provisions. Where it is known, we describe each program's implementation status. Generally, however, the Treasury Department, working with the Department of Energy, will be releasing guidance on several tax programs. (Note: We would greatly appreciate receiving any updates or clarifications from those of you following specific programs)

Tax Policy (Title I)

1. Extension of Credit for Electricity Produced From Certain Renewable Resources (Part I, Sec. 1101)

Description: Extends the production tax credit (PTC) for wind projects by three years through 2012, and for solar, biomass, geothermal, landfill gas, trash combustion, hydropower, and marine and hydrokinetic through 2013.

Eligible Recipients: Renewable energy producers: wind, solar, geothermal and hydropower, and marine and hydrokinetic projects.

2. Election of Investment Credit In Lieu of Production Credit/Grant (Part I, Sec. 1102)

Description: Allows renewable energy developers to receive a Section 48 Investment Tax Credit (ITC) worth 30% of their investment in a renewable energy facility if they forgo the PTC. Renewable energy technologies eligible to receive the Section 45 PTC are also eligible to elect the ITC. Projects must be placed in service from Jan. 1, 2009 through Dec. 31, 2013 in order to receive the ITC.

Projects may also elect to receive the benefit of the ITC in the form of a grant, rather than a tax credit. Grants are available for projects placed in service in 2009 or 2010; however, projects that begin construction in either 2009 or 2010 can still receive the grants. Payment of the grant occurs during the 60-day period beginning on the later of the application date for a grant or the date the project receiving the grant is placed in service.

Grants must be received before Oct. 1, 2011 in order for the Treasury Secretary to issue grants. The program expires on Jan. 1, 2014.

Eligible Recipients: Renewables

Implementation Status: IRs will be issue news release for provisions on the election of investment credit in lieu of production credit and coordination with renewable energy grants

3. Investment Tax Credit (Subtitle B, Part 1, Sec. 1103)

Description: Removes the \$2,000 cap on the 30% credit for small solar thermal and geothermal property, as well as the \$4,000 cap on small wind property.

Eligible Recipients: Renewables, utilities

Implementation Status: Learned that the cap on solar water projects went into effect. Assume this is true for other projects included in this program

4. Manufacturing ITC (Subtitle D, Part VII, Sec. 1302)

Description: Creates a 30% ITC for qualifying advanced energy projects which re-equip, expand or establish a manufacturing facility for the production of property involved with reducing greenhouse gas emissions. \$2.3 billion limit on the total amount of credits to be allocated.

Eligible Recipients: Credits will be directed to projects creating or retooling manufacturing facilities to make components used to generate renewable energy and other options. Coal/CCS, renewables, transmission

5. Increased Limitation on Issuance of New Clean Renewable Energy Bonds (Subtitle B, Part II, Sec. 1111)

Description: Increases the Clean Renewable Energy Bond (CREB) limitation by \$1.6 billion. Entities receiving CREBs must use 100 percent of the proceeds for capital expenditures. The CREBs program is the counterpart program for public power providers that are not eligible under the PTC. The renewable energy technology definitions under the CREBs program follow the definitions under the PTC.

Eligible Recipients: Applies to bonds for capital expenditures incurred by eligible governmental bodies, such as public power providers or cooperative electric companies. Bonds are available to finance renewable energy activities.

Implementation Status: IRS issued notice on the application procedure for allocation of new CREBs

6. Credit for Investment in Advanced Energy Facilities (Part VII, Subtitle D, Sec. 1302)

Description: Includes a tax credit for investments in manufacturing facilities that produce equipment for renewable energy generation. The tax credit is equal to 30 percent of the "qualified investment" in an advanced energy manufacturing facility. The "qualified investment" is the investment amount for eligible property that was placed-in-service.

Advanced energy projects that qualify for the tax credit are those that re-equip, expand, or establish a manufacturing facility for the production of property designed to be used to produce energy from the sun, wind, geothermal deposits, or other renewable resources. UP to \$2.3 billion in credits may be allocated.

Eligible Recipients: Energy equipment and vehicle manufacturers involved in manufacturing of renewables, transmission, Coal/CCS.

Implementation Status: Awaiting Energy and Treasury Dept guidance on what qualifies as an advanced energy project program. The agencies have 180 days after the enactment of ARRA law to issue guidance. Applicants must submit an application for the credits within 2 years of the establishment of the program.

7. Grants in Lieu of Credits (Subtitle G, Part V, Sec. 1603)

Description: Permits businesses to apply for grants from Treasury Dept. in lieu of tax credits for specific energy property placed in service during 2009 or 2010, including combined heat pumps, fuel cells and microturbines.

Eligible Recipients: Facilities using renewable energy resources such as fuel cells, solar energy, small wind turbines, biomass, geothermal energy, hydropower, marine and hydrokinetic facilities.

Government Spending Programs (Title IV)

1. Loan Guarantees

Description: \$6 billion will be available for a new category of loan guarantees for "shovel ready" renewable electricity and transmission projects. \$6 billion appropriation is expected to guarantee \$60 billion of debt.

Eligible Recipients: Renewables, biofuels, coal/CCS, nuclear transmission, smart grid, energy efficiency and utility projects that have started construction by Sept. 30, 2011

Implementation Status: Funds to be awarded by DOE. On March 20, DOE awarded \$535 million to Solyndra, to support the company's construction of a commercial-scale manufacturing plant for its proprietary cylindrical solar photovoltaic panels.

2. Research, Development, Demonstration and Deployment

Description: \$2.5 billion from DOE for support of energy efficiency and renewable energy. \$800 million used for biomass projects, \$400 million for geothermal projects and \$50 million for efforts to increase energy efficiency of information and communications technology.

Eligible Recipients: RDD&D. Funds will be awarded on a competitive basis to universities, companies and national laboratories.

Implementation Status: Funds to be awarded by DOE to current program beneficiaries.

3. Advanced Research Projects Agency – Energy (ARPA-E)

Description: Authorizes \$400 million for the Advanced Research Projects Agency – Energy (ARPA-E) under section 5012 of the America COMPETES Act.

The ARPA-E program is designed to enhance the economic and energy security of the United States through development of energy technologies that result in:

(1) Reductions of energy from foreign sources; (2) Reductions of energy-related emissions, including greenhouse gases; and (3) Improvement in energy efficiency in all economic sectors.

Electricity Delivery and Energy Reliability (Amendments to Title XIII of EISA of 2007)

1. Smart Grid Demonstrations (Sec. 404)

Description: Allocates \$4.5 billion in funding necessary for electricity delivery and energy reliability to modernize the electric grid. Activities eligible for funding include demand responsive equipment; energy infrastructure security and reliability enhancement; energy storage research, development, demonstration, and deployment; and activities that facilitate recovery from disruptions to the energy supply.

Implementation Status: Guidance Issued

2. Renewable Energy Electricity Transmission Study (Sec. 409)

Description: Mandates DOE to include an examination of additional transmission issues when completing the 2009 National Electric Transmission Congestion Study. The Secretary must conduct an analysis of the significant potential sources of renewable energy that are constrained in accessing markets areas because of the lack of adequate transmission capacity. The Secretary must analyze the failure to develop adequate capacity, offer recommendations to achieve adequate capacity, and examine the legal challenges at the State and Federal level that are delaying the construction of adequate transmission capacity.

3. Additional State Energy Grants (Sec. 410)

Description: Authorizes DOE to use funds for making additional grants under part D Title III of the Energy Policy and Conservation Act. The Secretary of Energy can issue funds in excess of the base allocation established by the Energy Policy and Conservation Act provided the Secretary has received assurances from the governor of a recipient state that the state will prioritize the grants toward funding energy efficiency and renewable energy programs. Existing state renewable programs are eligible for the grants so long as they are approved by the State or appropriate regulatory authority and support renewable energy projects and deployment activities.