

GANNETT

Wind tax credit overlooked as Congress debates ACA

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Time is running out for Congress to extend a tax credit the wind-energy industry says is vital to its future.

The wind production tax credit, or PTC, is scheduled to expire on Dec. 31, and it's unclear if supporters will be able to get Congress to renew an incentive that costs the U.S. Treasury more than \$10 billion a year.

Lawmakers aren't focused on tax issues but on other matters like the troubled rollout of the Affordable Care Act and stalemate in budget talks aimed at averting another partial-government shutdown in early 2014.

Unlike in 2012, there has also been little debate on Capitol Hill about the need to renew the tax credit of 2.3 cents per kilowatt-hour. For instance, Sen. Mark Udall, D-Colo., gave more than 25 speeches last year on the Senate floor in favor of the PTC. He hasn't mounted a similar effort this year.

Supporters, who include many Democrats and some Republicans, are working quietly to extend the tax credit into 2014 and beyond, but things don't look promising given the continuing partisan rift over federal spending and the unsuccessful push for an overhaul of the U.S. tax code rather than dealing with it one item at a time.

Roughly 2,500 windmills off Interstate 10 generate energy in the Coachella Valley. California's wind industry produces about 5,500 megawatts of electricity, enough to power more than 2 million households.

Rep. Raul Ruiz, a Palm Desert Democrat, told The Desert Sun the potential loss of the wind production tax credit was one reason he wants to reform the federal tax code in order to benefit wind, solar and other renewable energy sources.

Ruiz's argument was spelled out in an August letter that was co-written with Republican Jon Runyan of New Jersey and Democrat Earl Blumenauer of Oregon, and signed by 60 lawmakers from both parties.

On Monday, Ruiz told The Desert Sun the country needs “long-term incentives through our tax policy to bring stability to our renewable energy industry right here in the Coachella Valley and throughout our country.”

“We need to not kick the can down the road,” Ruiz said. “We need to have long-term solutions.”

'Market thin for wind'

As conservative Republicans intensify their effort to permanently kill the PTC, which has been a part of the tax code in some form since 1992, the wind industry itself faces some negative publicity.

In late November, the U.S. Justice Department announced a settlement with Duke Energy Renewables, which pleaded guilty to the deaths of 14 golden eagles and 149 other migratory birds at two of its wind farms in Wyoming. The company was assessed \$1 million in fines and restitution for violating the Migratory Bird Treaty Act.

Though wind power is clean and doesn't emit carbon or methane — both of which are linked to global warming — critics note that it's at best an “intermittent” energy source because it can be produced only when it's breezy. Wind supplied 3.46 percent of the nation's electricity in 2012, according to the U.S. Energy Information Administration.

Nancy Rader, executive director of the California Wind Energy Association, said Monday if Congress fails to renew the PTC, the impact on the state will be modest compared to other parts of the country where wind power is only now picking up.

The demand for wind power has leveled off in California — which set up some of the nation's first wind farms in the 1980s — and isn't expected to pick up closer to 2020, by when 33 percent of the state's electricity is supposed to come from renewable sources, Rader said.

“Right now, the market is very thin for wind,” she said. “But to the extent that there is a market, the lack of a PTC makes wind less competitive relative to other renewables that do have tax credits that go into later into the decade.”

If the PTC is scrapped, Palm Springs-area wind-energy producers could be hurt in another way — they will likely hesitate to replace older turbines with fewer but bigger and better ones, she said.

Pressure to extend the PTC comes from the wind industry and a bipartisan coalition of 11 governors, including Democrats John Kitzhaber and Martin O'Malley of Maryland and Republicans Terry Branstad of Iowa and Sam Brownback of Kansas.

In a Nov. 6 letter to congressional leaders, the governors wrote that last year's partisan bickering led to a delayed extension of the PTC for a year — and sparked “a very troubled recovery” for the wind industry.

An industry that spent \$25 billion in 2012 built just one turbine in the first six months of this year, which represents a “a 99 percent drop in investments,” the governors wrote.

“This congressionally sanctioned uncertainty has hit the nation’s wind industry incredibly hard,” they wrote. “We respectfully urge you not to repeat the legislative brinksmanship of 2012 and to adopt a responsible multi-year extension of the production tax credit.”

Sen. Ron Wyden, D-Ore., chairman of the Senate Energy and Natural Resources Committee, said he's working to craft a bipartisan tax-reform package as a member of the bipartisan budget panel working to avoid another shutdown. However, if such a deal isn't possible this year, he said he'll find a way to extend the tax credits for renewable energy.

"If we can't get tax reform moving quickly, obviously to just let wind and solar and the renewables be sacrificed will be a huge mistake," he said after a recent energy committee hearing. "We're going to have to be ready to look at other kinds of options because you can't strand those critical investments."

He didn't specify what those options would be.

The ranking Republican on the Senate energy panel, Alaska's Lisa Murkowski, expressed support for a multi-year renewal. She said a one-year extension is "lousy policy" because it wouldn't provide the certainty that the industry needs, but also stressed that the federal government can't keep providing tax breaks for wind forever.

"I've advocated that there needs to be a glide path out," Murkowski said.

Critics would rather see the PTC blow away for good.

In mid-November, 52 House members led by Rep. Mike Pompeo, R-Kan., urged the tax-writing House Ways and Means Committee to put an end to the tax credit, which Congress keeps extending despite insisting that the wind industry must stand on its own.

"The growth in wind is driven not by market demand, but by a combination of state renewable portfolio standards and a tax credit that is now more valuable than the price of the electricity the plants actually generate," the House critics said in a letter.

Paul Knappenberger, an energy-policy analyst at the libertarian Cato Institute, said ending the PTC may be difficult not just because of the bipartisan support on Capitol Hill but also because President Barack Obama's climate-action plan, unveiled this year, calls for more wind energy.

Though the PTC faces tougher odds this year compared to 2012, "the ace in the hole is the climate-action plan," he said.

Ideally, the government would stop propping up any and all energy industries, forcing each sector to stand or fall on its own, Knappenberger said.

"We are against government favoritism in picking winners and losers," he said. "None of the industries should get it."