

March 21, 2020

The Honorable Richard Neal, Chairman
House Committee on Ways and Means
Washington, D.C. 20515

The Honorable Kevin Brady, Ranking Member
House Committee on Ways and Means
Washington, D.C. 20515

The Honorable Charles Grassley, Chairman
Senate Committee on Finance
Washington, D.C. 20510

The Honorable Ron Wyden, Ranking Member
Senate Committee on Finance
Washington, D.C. 20510

Dear Chairmen Neal and Grassley and Ranking Members Brady and Wyden:

We are among the millions of taxpayers who watched in stunned disbelief as Senator Grassley and others in leadership reneged on their 2015 promise to permanently end the wind production tax credit (PTC) by 2019 if we accepted the phase-down. Instead, during the final hours before the December 2019 holiday break Congress voted for a PTC extension with an increase.

Now, less than 3 months later, the wind industry is again seeking preferred treatment as part of the COVID-19 stimulus bill negotiations. During this time when the health and finances of Americans are at risk due to this forced COVID-19 economic slowdown, it's essential for you to understand the facts about wind and look past the hype promoted by industry proponents.

Please consider the following:

1) According to the US Treasury, the PTC and ITC represent the most expensive government expenditures in the energy sector over the next decade. Together, they dwarf all other energy-related credits and will reach over \$9 billion in 2021 and over \$60 billion by 2029.

Table 1. ESTIMATES OF TOTAL INCOME TAX EXPENDITURES FOR FISCAL YEARS 2019-2029												
(in millions of dollars)												
	Total from corporations and individuals											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-29
Energy production credit 1/	4,230	4,310	4,290	4,250	4,200	4,070	3,920	3,290	2,590	1,760	1,070	33,750
Energy investment credit 1/	3,710	4,510	4,820	4,490	3,700	2,690	2,010	1,540	1,220	1,020	920	26,920
TOTALS	7,940	8,820	9,110	8,740	7,900	6,760	5,930	4,830	3,810	2,780	1,990	60,670

Source 1: <https://home.treasury.gov/system/files/131/Tax-Expenditures-2021.xlsx>

2) The wind industry's complaint of supply chain disruptions is identical to that argued in December. Today this argument rings hollow, particularly when industry experts now tout that the supply chain has already achieved geographical diversification in response to the import tariffs imposed by the Trump administration.¹ The industry has long claimed it would increase manufacturing in the U.S. however the bulk of turbine components are still made overseas. Taxpayers should not be forced to pay more for the industry's inability to secure its supply chain.

3) Complaints of a shrinking tax equity market lay bare the fact that even after a 6-year phase-down the wind industry has done nothing to reduce its reliance on the PTC. In fact, *tax equity represents*

¹ Alexander, Todd. "Ep88: US Wind Energy Market Outlook". Podcast audio, March 29, 2020. <https://www.projectfinance.law/podcasts/2020/march/ep88-us-wind-energy-market-outlook/>.

*between 50% and 65% of project financing!*² Despite billions in public hand-outs spanning decades, the wind industry is resistant to moving off the PTC. There is no reason to believe this will change as long as Congress repeatedly rewards the industry with new PTC extensions. This is obviously not the outcome Congress intended when the “temporary” PTC was first enacted.

4) The wind industry’s demand that Congress relax the time periods for placing projects in service is particularly galling given the lenient IRS rules governing PTC eligibility. Under the current rules, developers seeking full-PTC benefits had a 4-years, from 2016 until the end of 2020, to reach commercial operation. If they miss the 2020 deadline, they can still earn the full PTC by demonstrating to the IRS that there was continuous-progress towards meeting the deadline. It’s shameless for developers to now demand taxpayers assume additional costs after their apparent failure to meet the generous 4-year development window. Such behavior should not be rewarded at our expense.

5) The wind industry is experiencing explosive growth. In 2019 the US saw the second largest annual increase in installed wind capacity adding nearly 10,000 megawatts of new wind. There are now over 100,000 MW of wind mainstreamed into the US electricity market with many more megawatts scheduled to be installed in the coming years. Extending the subsidies is no longer justifiable.

6) Any effort to enact a new and separate tax benefit program dedicated to offshore wind energy should be avoided unless a robust and transparent debate by Congress can be had. Coastal states where the most offshore wind activity is happening have proactively committed their ratepayers to paying higher electricity costs. It is inappropriate for Congress to ram through a costly policy that demands taxpayers-at-large foot a sizable percentage of that cost when they had no say in the decision.

We are frustrated by a political class that is quick to accept and repeat the wind industry’s talking points rather than examine and understand the reality that wind energy is no longer a nascent industry, but one that should – and must -- stand on its own. It’s time to end the backroom deals that destroy public trust and stand firm on the 2015 plan to *end the wind PTC now* and force the industry to adapt.

² Burton, David. “Demystifying tax capital accounts in tax equity transactions”. Podcast audio, March 2, 2020. <https://pivotal180.com/demystifying-tax-capital-accounts-in-tax-equity-transactions-webinar-recorded-video/>