

# WIND ENERGY PRODUCTION TAX CREDIT (PTC)



## AWEA is seeking a Long-Term Extension of the PTC Which Expires on December 31, 2008

**Description:** Under present law, an income tax credit of 1.5 cents/kilowatt-hour (adjusted annually for inflation since 1992) is allowed for the production of electricity from qualified wind energy facilities and other sources of renewable energy. The current value of the credit is 1.9 cents/kilowatt hour of electricity produced. The credit was created under the Energy Policy Act of 1992 and applies to electricity produced by a qualified wind facility placed in service after December 31, 1992, and before January 1, 2009. The tax credit is useful only for utility-scale wind turbines, not smaller turbines used to power individual homes or businesses.

### Status:

- The PTC is scheduled to expire on December 31, 2008.
- **H.R. 197** - Proposed legislation for a 5-year extension of the PTC, through December 31, 2013.

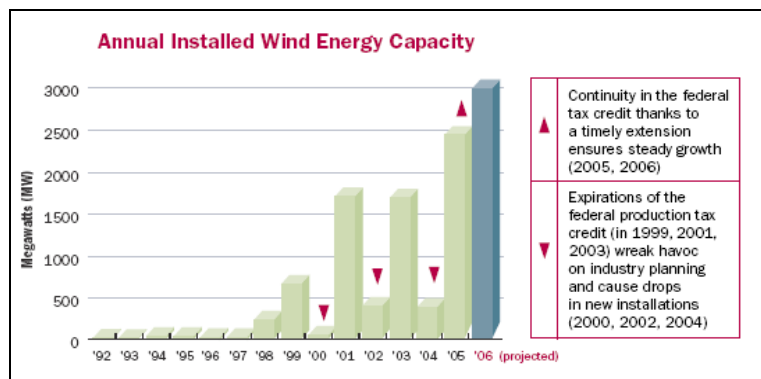
### Why a longer extension is critical:

- The wind industry has sought a 5-year extension of the tax credit to ensure certainty and stability. While the industry was fortunate to gain short-term extensions in the past, these shorter time periods create uncertainty and a “**boom-and-bust**” cycle of short-term planning, near annual job layoffs and higher cost projects. Without a long-term policy, manufacturers are discouraged from investing in and expanding manufacturing facilities in the U.S.
- Six to eight months before the tax credit expires, financial lenders hesitate in providing capital for wind projects because of the uncertainty created by the impending expiration of the credit.
- As the PTC nears expiration, developers rush to complete projects before the deadline leading to smaller projects and added costs, which result in higher electricity prices per kilowatt-hour.

Jaime Steve  
Director,  
Legislative Affairs  
[jsteve@awea.org](mailto:jsteve@awea.org)  
202-383-2506

Aaron Severn  
Legislative  
Representative  
[asevern@awea.org](mailto:asevern@awea.org)  
202-383-2507

Bree Raun  
Manager, Grassroots  
Advocacy & WindPAC  
[braun@awea.org](mailto:braun@awea.org)  
202-383-2513



# WIND ENERGY PRODUCTION TAX CREDIT (PTC) *Continued*

## Why cosponsor this bill:

### Wind energy delivers REAL ECONOMIC BENEFITS

- New wind turbine manufacturing facilities opened in 2006 in Iowa, Minnesota and Pennsylvania. Additional announcements are expected in 2007. Investment in manufacturing capability signals confidence in the market and lays the groundwork for expanded growth.
- Texas saw 1,000 MW of wind projects added to the state in 2001, providing \$11.6 million in property tax payments to local schools, \$2.5 million in landowner royalty income, and 2,500 wind-related jobs.
- One large (108-turbine, 162-MW) project in rural Prowers County, Colorado, increased the county's tax base by 29%, adding annual payments of about \$917,000 to the general school fund, \$203,000 to the school bond fund, \$189,000 to a county medical center, and \$764,000 in new county revenues, as well as 15-20 permanent and well-paying full-time jobs at the wind farm.<sup>2</sup>
- As many as 215,000 new jobs would be created by adding 50,000 MW of new wind installations in the U.S. – a \$50 billion investment that could provide electricity for as many as 15 million homes with 39 million people. Many of these new positions would be in the manufacturing sector, bringing 150,000 new jobs back to a hard-hit sector of our economy.<sup>3</sup>
- An analysis from the Union of Concerned Scientists finds switching 10% of our electricity to clean energy sources by 2020 could save consumers as much as \$13 million over 20 years, due to lower natural gas prices and higher renewable electricity consumption.<sup>4</sup>

### Wind energy offers REAL ENVIRONMENTAL BENEFITS

Wind power offsets other, more polluting sources of energy. That is important because electricity generation is the largest industrial source of air pollution in the U.S. When wind power projects generate electricity, fuel at other power plants is not consumed.

- To generate the same amount of electricity as today's U.S. wind turbine fleet (11,603 MW) would require burning 16 million tons of coal (a line of 10-ton trucks over 6,000 miles long) or 50 million barrels of oil *each year*.
- Wind energy requires no mining, drilling, or transportation of fuel, and does not generate radioactive or other hazardous or polluting waste.
- A recent New York study found that if wind energy supplied 10% (3,300 MW) of the state's peak electricity demand, 65% of the energy it displaced would come from natural gas, 15% from coal, 10% from oil, and 10% from electricity imports.<sup>5</sup>
- Emissions from the manufacture and installation of wind turbines are negligible. The "energy payback time" (a measure of how long a power plant must operate to generate the amount of electricity required for its manufacture and construction) of a wind farm is 3 to 8 months, depending on the wind speed at the site – one of the shortest of any energy technology.

<sup>2</sup>From *Snack Bars to Rebar*, (Mar 2004) <http://www.state.co.us/oemc/events/cwade/2004/presentations/cox.pdf>

<sup>3</sup>*Wind Turbine Development: Location of Manufacturing Activity*, Renewable Energy Policy Project (Sep 2004) <http://www.repp.org/articles/static/1/binaries/WindLocator.pdf>

<sup>4</sup>*EIA Studies Show a National Renewable Electricity Standard Can Save Consumers and Businesses Money*, Union of Concerned Scientists (Jun 2003) [http://www.ucsusa.org/clean\\_energy/renewable\\_energy/page.cfm?pageID=1222](http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=1222)

<sup>5</sup>*The Effects Of Integrating Wind Power On Transmission System Planning, Reliability, And Operations: Report On Phase 2: System Performance Evaluation*, New York State Energy Research & Development Authority (Mar 2005) [http://www.nyserda.org/publications/wind\\_integration\\_report.pdf](http://www.nyserda.org/publications/wind_integration_report.pdf)