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JOINT TELECONFERENCE ECONOMIC STIMULUS PLAN: RENEWABLE TAX CREDIT ADJUSTMENTS

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SPEAKER BIOGRAPHIES



Denise Bode is the Chief Executive Officer of the American Wind Energy Association, the national trade association of the U.S. wind energy industry. Bode is a nationally recognized energy policy expert and served for nine years on the Oklahoma Corporation Commission. Her experience in the energy field is extensive and includes one and a half years as the CEO of the American Clean Skies Foundation, seven years as President of the Independent Petroleum Association of America (IPAA) and nine years on the staff of then-U.S. Senator David Boren (D-OK) as his legal counsel, focusing on the areas of energy and taxation.

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Rhone Resch is president and CEO of the Solar Energy Industries Association, the industry's voice and lobbying advocate for expanding the U.S. market. He spearheaded SEIA's success in creating and expanding the 8-year solar investment tax credit and increasing DOE's solar program budget. Mr. Resch has more than 15 years of private sector and government experience in clean energy and energy efficiency working for the Natural Gas Supply Association and EPA's Climate Protection Division. He is on the Business Council for Sustainable Energy board, the Global PV Solar Energy Council, and is Chairman of the Western Governors Association Solar Energy Task Force.

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SOLAR AND WIND READY TO LEAD NEW CLEAN ENERGY ECONOMY

Industry Leaders: Obama, Congress Should Make Tax Incentives Refundable

Washington, D.C. – The American Wind Energy Association (AWEA) and the Solar Energy Industries Association (SEIA) today reported that both wind and solar energy enjoyed record-breaking years in 2008, but face a dramatic reduction in 2009 if Congress and the incoming Administration do not take swift action to help make renewable tax incentives work in today's difficult economy.

AWEA CEO Denise Bode and SEIA President and CEO Rhone Resch both cited the need to make the ITC and PTC refundable to preserve their effectiveness in the current economic climate and maintain the very strong growth of both industries.

"We applaud President-elect Obama's aggressive goal of doubling the production of alternative energy in the next three years. Wind energy is ready to do its part, but we face a major obstacle in this economic downturn," Bode said. "We can continue to grow through this difficult period only if the new Administration and the 111th Congress act immediately to make renewable tax incentives refundable so they can work as they are intended to – even in the current financial context. This is a critical first step to building the new, clean energy economy."

"Congress must use the stimulus bill to move us away from our backwards-looking, recession-burdened economy and toward a new era of recovery and prosperity with solar and wind leading the way. Our industries have become powerful economic engines in the U.S., each year creating tens of thousands of new jobs and billions of dollars in economic investment. And we have the potential to put many thousands more Americans back to work. But due to the recession, projects are now being put on hold, factories are closing and workers face potential layoffs unless Congress refines the tax credits now so they work as originally intended," said Resch.

AWEA estimates that last year the wind industry installed a record 7,500 megawatts of capacity in the U.S., bringing total wind capacity in the U.S. to about 24,000 MW. The solar industry is estimated to have nearly doubled growth of solar PV installations in 2008. The California Solar Initiative reported the growth of photovoltaic installations doubled in 2008 from 2007.

On October 3, Congress passed an extension of the ITC and PTC tax credits. Bode and Resch noted that current economic conditions substantially reduce the effectiveness of the tax credits since most companies and individual tax filers expect lower tax liabilities. Making the tax credit refundable restores the incentives' value. Making renewable tax credits refundable, like those for biodiesel and other alternative transportation fuels, is essential to ensuring continued wind and solar industry growth in 2009 and 2010.

In 2007 and 2008, more than 50 wind energy manufacturing facilities were opened, expanded or announced in the U.S., adding 14,000 employees. More than half of those jobs were added in 2008, even as the overall U.S. economy was faltering.

The solar energy industry employs more than 80,000 people in the U.S. and created more than 15,000 jobs in the last two years. According to Navigant Consulting, the solar energy sector alone will create 440,000 permanent jobs and spur \$325 billion in private investment by 2016 with the ITC in place.

“By working together to repair this critical policy, we can put Americans back to work, help achieve national energy security and start down a path that will make America a leader in renewable energy manufacturing and development,” added Bode.

“The American public overwhelmingly supports renewable energy and these policies. Our elected leaders have an opportunity to support renewable energy in the stimulus bill that will keep these vitally important industries growing in the U.S.,” said Resch.

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About AWEA

AWEA is the national trade association of America’s wind industry, with more than 1,800 member companies, including global leaders in wind power and energy development, wind turbine manufacturing, component and service suppliers, and the world’s largest wind power trade show. AWEA is the voice of wind energy in the U.S., promoting renewable energy to power a cleaner, stronger America. More information on wind energy is available at the AWEA Web site: www.awea.org.

About SEIA

Solar Energy Industries Association is the national trade association of more than 800 solar energy manufacturers, project developers, distributors, contractors, installers, architects, consultants and financiers. Established in 1974, SEIA works to expand the use of solar technologies in the global marketplace, strengthen research and development, remove market barriers, and improve education and outreach for solar. Learn more at www.seia.org.



STIMULATING THE ECONOMY WITH RESTRUCTURED AND EXTENDED RENEWABLE ENERGY TAX INCENTIVES

Because of the economic meltdown, urgent action is needed by Congress and the Obama Administration to both restructure the renewable energy tax credits and enact a long-term extension of the wind energy production tax credit (PTC).

Wind power means jobs: The wind power industry is becoming a critically important driver, not only for America's long-term economic future, but for urgently needed near-term economic growth. More than 50 new or expanded wind industry manufacturing facilities have been announced or opened since January of 2007, creating tens of thousands of high-paying jobs while building an industry that reduces pollution, increases our energy independence and can provide a jump start for efforts to slow global warming.

The financial meltdown threatens wind's growth: The economic downturn and its impact on credit markets and profitability now threaten to sharply reduce investments in wind energy facilities and reverse the recent trend of very strong growth.

This is not just theoretical. As explained in more detail in the attached fact sheet, the wind industry is already feeling serious impacts. A number of developers have said publicly that they plan to scale back their planned wind projects by one-third or more. Manufacturers producing for the wind energy industry have put expansion plans on hold and are laying off workers.

Existing incentives aren't working under current market conditions: When the PTC was extended for one year in early October as part of the financial rescue bill, the expected new investment did not materialize:

- Financial markets had already declined dramatically and investment capital was no longer available at anywhere near previous levels.
- The value of renewable energy tax incentives, a central driver for wind industry growth, had substantially diminished because the broader economic decline had wiped out profits and tax liability across the American economy.
- Compounding these difficulties, under the current tax structure much of the nation's wind power development relies upon transactions with major financial industry players of the sort most impacted by the market downturn.

Because wind energy is such a capital-intensive industry, many developers don't have enough income to directly use tax incentives (PTCs and accelerated depreciation) intended to reduce the costs of renewable electricity production. Instead, they monetize the tax benefits by partnering with "tax equity" financiers who can better use the credit to offset their tax liabilities. But the economic decline has eliminated many major financial industry players from the tax equity markets, dramatically reducing the ability of many wind power developers to realize the intended benefits of available tax incentives. Thousands of megawatts of new wind power capacity for 2009 could be cancelled or delayed as a result.

Existing incentives must be modified to ensure they achieve the intended results:

As part of any stimulus legislation, the wind industry is seeking changes to the structure of renewable energy tax incentives to make it possible to realize their value in an adverse economy. Specifically:

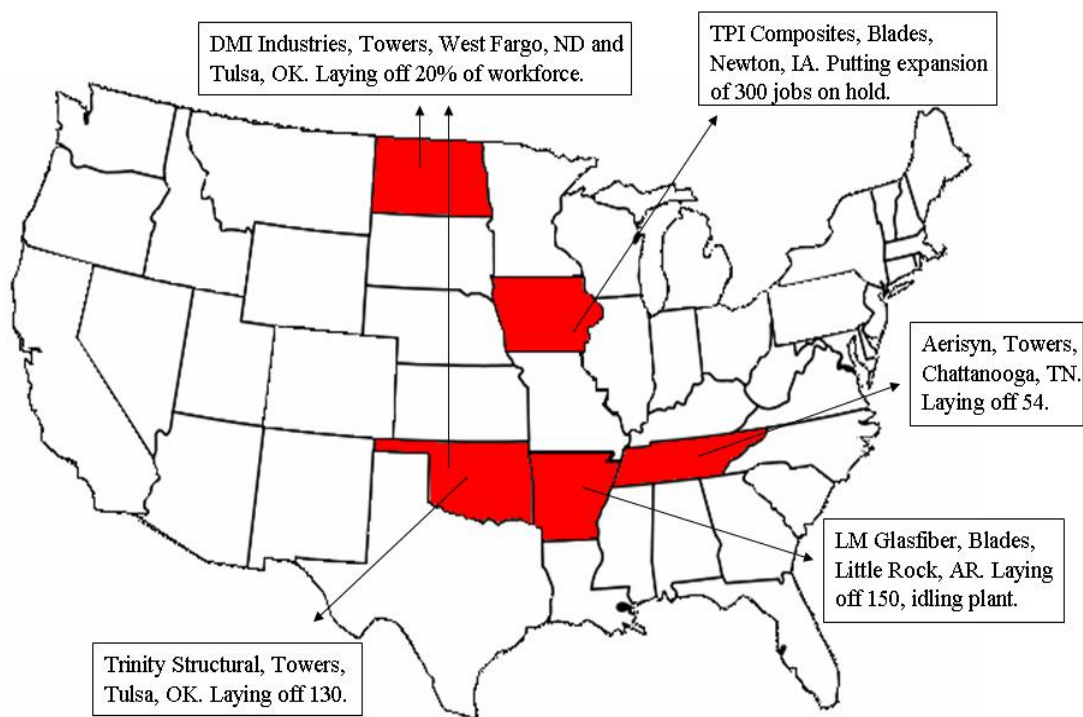
- Making the PTC and the other important wind energy tax benefit, accelerated depreciation, fully refundable (like the tax credits for alternative transportation fuels) would ensure efficient use of the tax credits.
- As part of the effort to promote wind energy development in 2009, developers with income tax liabilities in previous years should be permitted to carry back credits generated in 2008 and 2009 against tax liability over the past decade. Extended carrybacks are currently allowed for tax credits associated with marginal oil and gas wells.

These changes are essential to avoid a substantial loss of investment and jobs in the wind power industry in 2009 and beyond.

A five-year PTC extension is needed for policy stability: We are also seeking a long-term extension of the PTC, as supported in the Obama-Biden *New Energy for America* plan. Such a long-term extension will have an immediate stimulative impact as lead times for major turbine components are typically two years or more. Having a long-term stable policy will help spur increased investments right away in manufacturing facilities and workers to produce components for later years, and will protect jobs threatened today by questions about future demand for turbine components, jobs associated with the development and construction of wind farms, and jobs stemming from transportation of turbine components. The long-term extension must be accompanied by other structural tax changes (as described above) to ensure that the tax incentives have their intended effect: stimulating the continued expansion of an important new clean energy industry.

IMPACT OF CREDIT CRISIS ON WIND INDUSTRY: OCTOBER 2008 THROUGH JANUARY 2009

Impact on Wind Developers and Turbine Manufacturers:



- » LM Glasfiber, the global leader in wind blades, opened a temporary facility in Little Rock, Arkansas in February 2008 to begin production while their primary facility was being built. When the new plant came online in October, LM decided to keep both plants online. They are now idling the first facility (it may come back online in the future) and laying off 150 workers. It is reported that "[t]he credit crunch is now causing project delays in developer's wind projects due to more difficult financing conditions..." [MSNBC, January 6, 2009](#).

- » DMI Industries, wind turbine tower manufacturer, is reducing its workforce by approximately 20% across its three facility locations in North Dakota, Oklahoma, and Ontario. The actions are the result of declining demand as difficult credit conditions continue to impact the ability of wind energy developers to secure needed project financing. "We remain committed to the wind energy market and have confidence in its outlook for the future," said DMI president Stefan Nilsson. "Nevertheless, we are required to make the reductions at this time in light of the downturn for wind farm projects, which we expect to last through this year." [DMI News Release, January 5, 2009.](#)
- » Aerisyn, wind tower manufacturer, announced it will lay off 54 employees as "a result of the current economic climate and customer order "pull-backs." [Chattanooga Times Free Press, November 20, 2008.](#)
- » Trinity Structural Towers, manufacturer of wind towers and subsidiary of Trinity Industries of Texas, announced it will lay off 131 workers at its manufacturing plant in Tulsa, OK. [Tulsa World, November 19, 2008.](#)
- » TPI Composites' Newton manufacturing plant has put on hold plans to add 300 jobs and expand its operations there due to the struggling U.S. economy. TPI Composites, which manufactures wind turbine blades, halted plans to add the jobs and add 100,000 square feet to the \$56 million, 316,000-square-foot manufacturing plant that opened in September. Newton Mayor Charles "Chaz" Allen said Saturday that the 300 jobs will not be deducted from the 500 jobs that TPI Composites initially pledged to the community. [Des Moines Register, November 9, 2008.](#)
- » FPL, the largest owners of wind power projects in the U.S., announced a 25% reduction in capital expenditures on wind in 2009. "The company said it would cut 2009 planned capital expenditures nearly 25 percent to \$5.3 billion and add 1,100 megawatts in new wind-power generation rather than the 1,500 megawatts it originally had planned." [Reuters, October 27, 2008.](#)
- » Noble Environmental Power, developer of 30 MW project in Michigan, filed in May for permission to raise \$375 million by selling stock. "One of the underwriters, Lehman Bros., has since filed for bankruptcy. Noble announced on October 20th that the Michigan project has been sold to John Deere Wind Energy, which already owns the state's first commercial wind park, the 32-turbine Harvest Wind Farm near Elkton." [MLive.com, October 22, 2008.](#)
- » Gamesa, which provided over 10% of the wind turbine capacity installed in 2007, said on October 22th that they would temporarily halt turbine production at 2 facilities in Spain. "Gamesa managers said they are waiting for customers to confirm their purchase plans before providing specific sales or production targets for 2009 and beyond." [Wall Street Journal Blog, October 23, 2008.](#) [Forbes, October 22, 2008.](#)
- » Renewable Energy Systems Americas, a wind-farm developer, is facing a 50 percent reduction in projects next year because of tight capital despite extension of the production tax credit on wind power. "While the PTC has had a benefit in

allowing some projects to move forward, the financial markets have this industry pretty much shut down," said Craig Mataczynski, chief executive of RES-Americas. He is projecting that the firm next year will develop about 600 to 700 megawatts of wind power, down from this year's 1,300 megawatts. Stuck in limbo is RES-Americas' proposed 250-megawatt Cedar Point wind farm in Elbert and Lincoln counties. Progress on developing the project is at a "slow pace," Mataczynski said, "in part because of tight financing." [Denver Post, October 18, 2008.](#)

Impact on Tax Equity Market:

- » 14 institutions invested in wind markets as tax equity in the last two years, today there are about six. Nine institutions put tax equity into deals in 2008. [Quote from John Eber, Project Finance Newsletter, Chadbourne & Park, November 2008.](#) "The supply of tax equity across all renewables is expected to fall about \$2 to \$3 billion short of demand in 2008." [Project Finance Newsletter, Chadbourne & Parke, November 2008.](#)
- » GE Capital provided over 25% of the tax equity for wind projects in 2007. General Electric Co.'s GE Energy Financial Services, another major investor in U.S. wind-farm development, is cutting back outlays because the credit crisis has made it difficult to price investments. "This is a very tough market for any investor," says Andrew Katell, a spokesman for GE Energy Financial Services. "Everyone is impacted." [Wall Street Journal, October 20, 2008.](#)
- » "Lehman Brothers, one of five top wind-power lenders on Wall Street, is no more. Wachovia and AIG, have been sold and sidelined, respectively." [Christian Science Monitor, October 28, 2008.](#) "U.S. wind-farm developers, which have commitments to build a record number of projects in 2009, are also scrambling for alternative sources of credit after the troubles of Lehman Brothers Holdings Inc. and American International Group Inc., both of which were big lenders to the green-energy sector, says Eric Silverman, a partner at law firm Milbank, Tweed, Hadley & McCloy LLP in New York." [Wall Street Journal, October 20, 2008.](#)

Impact on Debt Market:

- » "Companies embarking on large solar and wind projects need large sums of capital to build, and such ventures are often put on hold if firms can't access cash, Ernst & Young's Muscat said. The tight credit also affects smaller businesses in the supply chain. 'The credit markets are important for all of those companies,' he said. 'And the inability to access credit, to finance even short-term activities in these businesses, is proving very problematic.'" [Associated Press, December 31, 2008.](#)

- » “Our cost of funds was 64 basis points over LIBOR¹ in September and is now 72 basis points over LIBOR ... [O]n average, banks incur 450 basis points more than the treasury rate before they reach the point of starting to recover their bare cost of funding.” [Quote from Brian Goldstein of BNP Paribas, Chadbourne & Parke, Project Finance NewsWire, November 2008.](#)

- » Tom Murley of HgCapital notes “In the last four to six weeks we've had discussions with 15 or 16 of the more traditional project finance lending banks and ... they're closed for business for this year, ... HgCapital is trying to raise debt finance for two renewable energy projects for next year. It still expects to find funding, but with more expensive debt.” [Montreal Gazette, Reuters, October 30, 2008.](#)

¹ The London Interbank Offered Rate (LIBOR) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale money market (or interbank market).



Solar Energy Fuels Domestic Job Growth: A Blueprint for Job Creation and Economic Security

The current economic crisis requires the United States government to make strategic investments in industries that will improve our economy. At the same time, our nation has an opportunity to invest in industries that foster our energy independence, improve our security and reduce our greatest environmental risk – global warming. Increasing the use of solar energy will provide a clean, reliable and domestic source of energy while creating millions of new jobs. Solar is not only the cleanest technology, but solar produces more jobs per megawatt (MW) of installed capacity than any other source of energy. From electricians and roofers to manufacturing line workers and sales agents, an expanded solar energy sector will greatly benefit the U.S. economy with new jobs. However, the growth of solar energy will not happen quickly enough without the right federal policies to stimulate the market and remove fundamental barriers that prevent solar from competing in the electricity marketplace.

We call on President-elect Obama and the Leadership of the 111th Congress, to make solar energy a fundamental part of our economic and energy policy. This includes establishing the goal of 12.5 percent of electricity generation to come from solar by 2020 and creating 1.5 million new jobs in the solar industry. To achieve this vision, President-elect Obama and Congress must establish programs that rapidly deploy solar energy, remove market barriers, and educate the public on the benefits of solar energy.

The Solar Energy Industries Association recommends that the new administration and Congress enact the following policies and programs as part of the economic stimulus package to expand the creation of clean energy jobs in the United States. If the three immediate priorities are enacted by the end of the first quarter of 2009, the cumulative impact will create 830,000 jobs by 2011.

Immediate Priorities

As part of an economic stimulus bill, Congress should include the following provisions:

1. Improve Solar Tax Credits

The current downturn in the economy has substantially reduced the utility of the solar investment tax credits (ITC) extended by Congress on October 3. To address this challenge, the credits should be improved. **Creates 165,000 jobs by 2011.**

- **Refundability**

Tax credits can only be fully realized in an environment where individuals and corporations have tax liability and an appetite for tax avoidance. In the current economic downturn, this appetite has been substantially reduced. Refundability would allow for the taking advantage of the tax credit regardless of tax liability.

- **Remove the Subsidized Energy Financing Penalty**

The value of the 30% Investment Tax Credit for the installation of solar and other renewable energy projects is severely diminished if a town or state provides low interest loans or finances the projects with tax-exempt bonds. This provision unfairly penalizes residents or companies in

towns, counties and states that use their bonding authority to lower the cost of solar to the end user. Congress should clarify the definition of “subsidized energy financing” and modify the credits such that recipients of this type of renewable and energy efficiency financing are not adversely impacted and can fully utilize the Investment Tax Credit.

2. Increase Government Procurement

The Federal government is the largest utility customer in the U.S., spending \$5.8 billion annually on electricity. A massive investment in all types of solar energy technologies to power the federal government (including military operations) will lower electricity bills, reduce carbon emissions, and develop energy security for the country’s most important missions.

Accordingly, the federal government should make \$10 billion available immediately to invest in the construction and operation of 4,000 MW of solar on federal buildings and land. Federal agencies should be authorized to enter into 25-year power purchase agreements (PPAs) and appropriations should be made to immediately implement the 30 percent solar thermal requirement on federal buildings.

Creates 350,000 jobs by 2011.

3. Create Tax Incentives for Manufacturing

Solar energy manufacturing is expanding worldwide, but the U.S. is at a significant disadvantage to countries like China and Germany that offer strong incentives to locate new manufacturing facilities. This program would level the playing field by offering accelerated depreciation and a 30 percent refundable tax credit for the purchase of manufacturing equipment used to produce solar material and components for all solar technologies (e.g., silicon, solar cells, evacuated tubes, and flat-plate solar collectors). **Creates 315,000 jobs by 2011.**

Learn more and get updates from SEIA’s Government Affairs & Advocacy area at www.seia.org.