

Federal Renewable Energy Incentives

- 1. Federal Production Tax
Credit (PTC)***
- 2. Renewable Energy
Production Incentive (REPI)***

What is the Production Tax Credit?

- *The Economic Security and Recovery Act of 2001 established*
- *a 10 year,*
- *1.5 cent per kilowatt-hour (kWh) production tax credit (PTC)*
- *for qualifying private and investor owned renewably generated energy projects.*
- *Credit is adjusted for inflation,*
 - *currently 1.8 cents/kWh (Sept 2002)*
- *Originally created under Energy Policy Act of 1992.*

PTC: What is eligible?

- *Wind*
- *Closed Loop Biomass*
- *Poultry Waste*

PTC: Who is eligible?

- ***All taxable entities***
 - Private Developers
 - Investors
 - Corporations
 - Individuals, etc.
- ***Government owned entities***
 - Per Tax Relief Extension Act of 1999
 - Poultry waste energy facilities only

PTC: Who is not eligible

- *Government owned entities*
 - Wind
 - Closed Loop Biomass.
- *Non-profit entities*

PTC: Period for Eligibility

- *Extended retroactively for projects brought online from the period starting from the end of 2001 to Dec 31, 2003.*

PTC: Pro

- *Levels the playing field against other subsidized energy projects (coal, oil, gas, hydro).*
- *Tax credits increase investor interest in funding projects*
- *10-year time-frame covers likely investment payback period, more money when it is needed.*
- *The 10-year production tax credit extends beyond the Dec 31, 2003 date for a qualified facility, even if the underlying enabling legislation is not renewed.*

PTC: Con

- *Historically, PTC legislation has been allowed to lapse and the qualifying periods retroactively reinstated.*
 - Creates a cycle of project starts and stops as developers try to match the “windows of opportunity”.
 - The increased uncertainty can hurt long term project planning.
- *PTC is useful only to investors that want or need the tax credits*
 - it is not a paid production incentive.
 - Limits the potential scope of investors in renewable projects.

Renewable Energy Production Incentive (REPI)

- *a 1.5 cent/kWh production incentive*
 - for tax-exempt publicly owned utilities and rural co-operatives.
- *Created under the Energy Policy Act of 1992.*

Renewable Energy Production Incentive (REPI) (continued)

- *Eligible energy sources:*
 - Wind
 - Solar
 - Biomass
 - except municipal solid waste
 - geothermal (except dry steam)
- *Inflation adjusted like the PTC,*
 - but is subject to annual congressional appropriations