



Congress could revive tax credit for wind energy

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The future of the Coachella Valley's iconic windmills hangs in the balance as Congress debates whether to revive a key tax credit for renewable energy.

The production tax credit for wind and other renewables expired at the end of 2013, bringing wind development in the United States to a screeching halt. New wind construction has **all but evaporated** this year, according to a report from the American Wind Energy Association.

For the Coachella Valley, bringing back the production tax credit could spark new wind development in and around the San Geronio Pass. Most of the area's wind resources have been fully tapped for decades, but hundreds of old turbines are due to be replaced by newer, more efficient models.

That kind of "repowering" could reduce the number of turbines in the Coachella Valley while increasing the area's overall energy output, said V. John White, executive director of the Center for Energy Efficiency and Renewable Technology, a Sacramento-based renewable energy advocacy group. Developers who qualify for the tax credit earn 2.3 cents per kilowatt-hour of energy produced over the first 10 years of a project's lifespan.



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Sand blows past windmills off North Indian Canyon Drive, just south of the Interstate 10 in Palm Springs, on Monday, February 26, 2007. (Photo: Desert Sun file photo)

"It's a production tax credit — you get paid not based on how much the systems cost, but how much energy is produced," White said. "And this has been a very successful, performance-based standard that has really contributed to the industry's growth."

Local wind advocates say the production tax credit is critical to future repowering efforts. There are about 3,200 windmills in the San Geronio Pass, but that could be reduced to 800 windmills producing twice as much energy overall, according to Chris Lucker, director of the Desert Wind Energy Association.

EDF Renewable Energy, which is based in San Diego, operates about 725 turbines in the Coachella Valley, employing 30 people at its Palm Springs facility. James Walker, the vice chairman of EDF's board, said the production tax credit has made wind power in the United States more reliable because it incentivizes developers to produce — unlike wind subsidies in some countries, which reward investment or equipment installation.

Walker noted that China had 50 percent more wind-generating capacity than the United States last year. But the United States produced about 20 percent more wind energy than China did, which Walker credited in part to the production tax credit.

"The great advantage of it is the old saying: 'Whatever gets rewarded gets done,'" Walker said. "Projects built in the U.S., under the production tax credit, have been really high-quality in terms of their location, making sure they have adequate transmission to get their power to markets, and having very reliable turbines."

Bringing back the production tax credit is a rare renewable energy priority with significant Republican support. Sen. Chuck Grassley, R-Iowa, has been one of the tax credit's leading proponents, and earlier this year, 144 members of Congress signed bipartisan letters calling for the credit to be renewed.

Those calls might be heeded over the next two weeks, as Congress meets for the last time before Republicans take control of the Senate in January. Senate Majority Leader Harry Reid, D-Nev., has been negotiating with House Republicans over legislation that would revive several expired tax breaks — including the wind production tax credit — and extend dozens of temporary tax breaks.

But efforts to bring back the production tax credit — which applies to several types of renewable energy development, including wind, geothermal and small hydroelectric — have faced stiff opposition from groups backed by the fossil fuel industry. Americans for Prosperity, which is funded by the billionaire brothers David and Charles Koch, has run ads this week urging House Republicans to oppose the tax credit.

The American Energy Alliance — an issue advocacy group also known for its ties to the Koch brothers — said it was launching a "six-figure grassroots advocacy initiative" to stir up opposition to the tax credit. Alliance spokesman Chris Warren said a two-year extension of the tax credit would cost taxpayers \$13.55 billion and cause electricity rates to increase.

"It's our belief that the free market best handles these situations, and we should let the wind industry stand on its own without a direct subsidy from the taxpayers," Warren said. "Wind's not going to come onto the grid unless it gets this lucrative subsidy, because it's uncompetitive otherwise."



Wind turbines in North Palm Springs generate electricity on Tuesday, July 1, 2014. (Photo: Michael Snyder/The Desert Sun)

Renewable energy advocates, though, point out that fossil fuels have always been heavily subsidized. According to a [2011 report](#) from Management Information Services, Inc. — a Washington, D.C.-based consulting group — coal, oil and natural gas received about \$594 billion in incentives between 1950 and 2010. Solar, wind and geothermal received about \$81 billion during those years.

The American Wind Energy Association, which is lobbying to revive the production tax credit, argues the wind industry generates more than \$17 billion in private investment annually and supports an average of 73,000 jobs. The production tax credit, association spokesman David Ward said in an email, is "critically important" to continuing that investment and job creation.

But even though the production tax credit has been around since 1992, it's faced several renewal battles, and it's lapsed on multiple occasions. Ward said previous lapses had caused drops of up to 92 percent in new wind installations.

"Wind power needs a predictable, stable pro-growth tax policy in order to continue rapidly scaling up wind power so that we can keep U.S. wind manufacturing jobs, add billions of dollars in private investment to our national economy and save more consumers money across the U.S.," he said in an email.

The production tax credit would probably pass the Senate, but it's unclear whether the Republican-controlled House would sign off on a tax deal that includes support for wind.

President Barack Obama could also prove an unexpected obstacle. As Reid and House Republicans neared a deal Thursday on tax-extender legislation — which reportedly would have revived the production tax credit and phased it out through 2017 — the White House said Obama would veto the deal, arguing it contained too many giveaways for big corporations.

Wind advocates are pushing for the production tax credit to be extended through at least the end of 2015, including a retroactive extension allowing projects that started construction this year to qualify. While they feel good about their chances, they know they might not have an answer until the final hours of the congressional term.

"It's traditional during the lame-duck session that you have a lot more rumors than results," Walker said, "until right at the end."

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