



July TOPICS

Pending U.S. Legislation Offers Preview of Tomorrow's Energy Landscape

The [May Energy TOPICS](#) explored factors that drive U.S. energy policy. The complexity of energy policy makes legislation difficult to create, but America's policymakers are up to the challenge. Several pieces of energy legislation introduced on Capitol Hill this year offer a glimpse into the future of renewable energy, energy independence, and emissions reductions, though they fall short on development of a federal renewable energy standard (RES).

The *Renewable Energy Expansion Act of 2010*, currently proposed in the House of Representatives, would provide an extension of the *American Recovery and Reinvestment Act of 2009* with a few notable differences. The Recovery Act's cash grant program has been a successful motivator; much of the current activity in the wind and solar industries can be attributed to the program's application and construction timelines for qualifying projects and the attractiveness of the 60-day payment turnaround. Projects must start construction before the end of 2010 and have until October 1, 2011, to be placed in service and apply for a credit.



The proposed Expansion Act would extend renewable energy incentives until January 1, 2013, for projects beginning construction prior to that date. The incentives would entail tax credits available after the taxable year in which a project is placed in service. Although the Expansion Act's payment mechanism is less appealing than the cash grant program, it is expected to continue providing reliable project funding.

The *American Power Act* is also under consideration, in this case in the Senate. This bill contains a host of provisions for achieving energy independence and reducing carbon emissions, including: 1) distributing two-thirds of program revenues to consumers; 2) investing in domestic energy supply technologies; 3) supporting innovation for coal, natural gas, nuclear, and renewable energy technologies; 4) reducing emissions within the power plant, heavy industry, and transportation sectors; and 5) creating a single carbon market and price structure ("cap and trade").

A competing bill, known as the *Practical Energy and Climate Plan Act of 2010*, was recently introduced in the Senate. This legislation proposes to achieve emissions reductions through increased transportation, home, and building energy efficiencies; renewable transportation fuels; nuclear power production; and voluntary coal plant retirement. In contrast to *The American Power Act*, this bill does not include a cap and trade mechanism.

Though the Expansion Act provides a clear framework for continued federal support of renewable energy projects, it does not address the nation's broad energy portfolio and associated challenges as do the other pieces of legislation. The absence of a federal RES in either of the Senate bills is conspicuous, however. As heard by anyone who attended the AWEA WINDPOWER 2010 conference in Dallas, passage of a federal RES is the single most critical component of any legislation intended to support long-term growth of renewable energy. While disagreements over the use of subsidies and taxes within the energy industry are likely to continue without full resolution, the broadly accepted goals of energy independence and overall resource efficiency should provide the inertia needed to pass comprehensive energy legislation.

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