

Energy provisions in the 2009 stimulus bill (H.R. 1)

February 17, 2009

Tax Provisions

Extension of production tax credit (PTC) for renewables

H.R. 1 extends the in-service date for wind facilities to Dec. 31, 2012. For all other renewables (excluding solar), the PTC is extended until Dec. 31, 2013.

Investment tax credit in lieu of production tax credit

Originally created primarily for solar energy projects, H.R. 1 expands the investment tax credit to include wind and other qualifying renewable sources. The credit is equal to 30 percent of the investment in a renewable energy facility, and must be taken in the year the facility is placed in service, rather than over a 10-year period like the production tax credit.

New clean renewable energy bonds (CREBs)

\$1.6 billion is allocated for new clean renewable energy bonds (established as part of the financial bailout bill in 2008). This is in addition to the \$800 million authorized in 2008. Wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities qualify for the program. The \$1.6 billion is divided into thirds, with state, local, and tribal governments; public power providers (municipals); and electric cooperatives sharing equally.

Permanent sequestration requirement for carbon dioxide (CO₂) capture tax credit

The \$10 credit per ton for CO₂ sequestered in enhanced oil recovery (EOR), enacted in 2008, has been modified so that anyone claiming the credit for CO₂ used in EOR must also ensure that such CO₂ is permanently stored in a geologic formation. Permanent geological storage is defined to include oil and gas reservoirs, unminable coal seams, and deep saline formations. The Secretary of Treasury will develop regulations with respect to this provision in consultation with the Department of Energy, the Department of Interior, and the Environmental Protection Agency.

Plug-in electric drive vehicle credit

The bill modifies and increases the existing tax credit for qualified plug-in electric drive vehicles. The base amount of the credit is \$2,500. An additional \$417 is provided for batteries at least 5 kilowatt-hours, and increases by \$417 thereafter for each kilowatt-hour up to 16 kilowatt-hours for a maximum of \$7,500 per vehicle. The credit phases out after 200,000 Plug-in hybrid electric vehicles (PHEV) are sold. The credit is now expanded to include a \$4,000 credit for PHEV conversion kits rated no lower than 4 kilowatt-hours.

Credit for other electric vehicles The bill includes a new credit of \$2,500 toward the purchase of low-speed (max 25-30 mph) electric vehicles, electric motorcycles, and electric three-wheel vehicles.

Qualified energy conservation bonds

\$2.4 billion is allocated for qualified energy conservation bonds to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. This is in addition to the \$800 million authorized in 2008.

The bill also clarifies that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs, such as retrofits of existing homes and private buildings. It also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time.

Tax credits for energy efficient improvements to existing homes

The bill would extend the tax credits for improvements to existing energy-efficient homes through 2010, and increases the credit from 10 percent to 30 percent of the cost of the improvement. Also, previous dollar caps for each technology dollar apply are eliminated, providing homeowners with an aggregate \$1,500 cap on all qualified energy efficient improvements.

Tax credits for residential energy efficient property

Current law permits businesses to take a 30 percent tax credit for qualified small wind energy facilities and individuals are permitted a 30 percent tax credit for solar water heating, small wind, and geothermal heat pumps. However,, the tax credits are subject to dollar caps that are specific to each technology. H.R. 1 repeals these caps, allowing an unlimited 30 percent tax credit on all technologies. The credit applies to any property placed in service prior to Jan. 1, 2017.

Authorizations and Appropriations

Energy efficiency and renewable energy research

\$2.5 billion is for energy efficiency and renewable energy research, development, demonstration, and deployment activities to foster energy independence, reduce carbon emissions, and cut utility bills. Funds are awarded on a competitive basis to universities, companies, and national laboratories.

Department of Defense research: \$300 million will be for research into using renewable energy to power weapons systems and military bases.

Electric transportation: \$400 million will be for a new grant program to encourage electric vehicle technologies

Home weatherization: \$5 billion will be used to help low-income families reduce their energy costs by weatherizing their homes and make our country more energy efficient.

Smart appliances: \$300 million is allocated to provide consumers with rebates for buying energy efficient ENERGY STAR products to replace old appliances, lowering energy bills.

Fossil Energy Research

- \$3.4 billion is allocated for carbon capture and sequestration technology.
- \$1 billion for the DOE Fossil Energy Research and Development office.
- \$800 million for Clean Coal Power Initiative (CCPI) Round 3, up from \$400 million, for a total of \$1.2 billion.
- CCPI deadline is not extended to April as proposed by the Senate.

- \$1.52 billion for a competitive solicitation for a range of industrial carbon capture and energy efficiency improvement projects.
- Includes an allocation for innovative concepts for beneficial CO₂ reuse.
- \$50 million for a competitive solicitation for site characterization activities in geologic formations.
- \$20 million for geologic sequestration training and research grants.
- \$10 million for program maintenance.
- Does not include funding for specific carbon capture and storage demonstration projects.

Local government energy efficiency grants

\$6.3 billion is allocated to help state and local governments make investments to be more energy efficient and reduce carbon emissions.

Renewable energy loan guarantees

The bill expands the Title 17 loan guarantee program to provide a one-time guarantee for renewable energy projects and transmission built in 2009 and 2010. \$6 billion is made available on a subsidy cost-free basis for this program only. (All other Title 17 programs must pay a credit subsidy cost to the federal government). A Senate provision authorizing an additional \$50 billion in loan guarantees for clean coal, nuclear, and renewables was removed from the conference report.

Transmission grid investments

H.R. 1 provides \$11 billion for research and development, pilot projects, and federal matching funds for the Smart Grid Investment Program to modernize the electricity grid to make it more efficient. It includes the construction of new power lines for the transmission of renewable energy.

Western Area Power Administration loans

\$3.25 billion in borrowing authority is provided to Western for renewable energy transmission.