

Will wind tax credit blow away?

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Geronimo Wind Energy recently won regulators' permission to build two wind farms in Minnesota. What happens next for the ventures depends partly on the political winds in the nation's capital.

Right now, those winds seem to be blowing in the wrong direction for the projects. With the U.S. Senate and House struggling to strike a deal to avoid a fiscal cliff of automatic spending cuts and tax increases, chances worsen for extending a federal renewable energy production [tax credit](#) that expires Dec. 31.

Without the credit, experts believe investors will be reluctant to put money into building wind farms, customers will be leery of signing long-term contracts to buy electricity from them and companies making parts for giant windmills will go out of business in states like Iowa, Colorado and Minnesota.

U.S. Rep. Collin Peterson, D-Minn., favors extending the production tax credit, known as PTC. But he struggles to find a scenario in which a majority of his colleagues in the Republican-controlled House will agree.

"[Wind energy](#) is way down the list of priorities (of tax breaks) for extensions," Peterson said. "I just don't see how this gets done."

Among those who don't support the extension is Minnesota Republican Rep. John Kline. His spokesman, Troy Young, said that while the original intent of the program was to increase [renewable energy production](#), Kline is concerned about extending programs that artificially

drive up demand.

After 20 years of federal support, Young said, wind should be able to stand on its own.

None of this talk is good news for folks like Betsy Engelking, Geronimo Wind's vice president. "Having it all tied up in the fiscal cliff makes it more uncertain for us," she said.

And, added Joe DeVito, a Minneapolis-based vice president for RES Americas, a unit of a large international wind developer, "uncertainty means nothing happens."

The production tax credit gives wind power investors a 10-year subsidy on a wind farm's output that's roughly equivalent to 30 percent of a project's original cost. The tax credit has existed, off and on, for two decades, helping to build a wind power industry that powers more than 13 million U.S. homes.

The possible expiration of the credit comes at a tough time for the industry. It faces an array of market challenges - slack electric demand, competition from low-cost natural gas and some utilities questioning the need for new power plants of all kinds.

"Right now, the PTC is the immediate thing that is holding our projects up," said John Ihle, founder of PlainStates Energy, a renewable energy developer based in Breckenridge, Minn., that has approval from the state to build three wind farms in the state.

Industry officials say it is difficult to negotiate power-sales deals until Congress decides the fate of the tax credit.

RES' proposed Pleasant Valley Wind project near Austin, Minn., is the

largest permitted project that hangs in limbo, facing many of the market challenges squeezing the industry.

"Utilities have seen a lessening in demand, and their desire to go out and buy new electricity is a problem," DeVito said.

Xcel Energy, for example, projects a drop in electric sales in 2013, according to regulatory filings.

Even when utilities need new power plants, increasingly they're attracted to those fueled by natural gas. With the tax credit, new [wind farms](#) can profitably sell electricity to utilities at 4 cents to 6 cents per kilowatt hour, industry officials say. While that's a competitive price for power, it's still more than the price of electricity from a new natural gas-fired generator.

"When you compare the cost of new generation, a wind farm is far cheaper than a new coal plant," said RES' DeVito. "If it wasn't for all this fracking that was making gas very competitive, wind would be the cheapest."

The American Wind Energy Association, or AWEA, the trade group lobbying for the credit extension, points to the Senate Finance Committee's overwhelming bipartisan approval of tax extensions including the PTC as the basis for hope.

The association has stressed the loss of 37,000 American jobs tied to [wind power](#) if the tax credit ends. AWEA also points to the outspoken support from Sens. Mark Udall, D-Colo., and Charles Grassley, R-Iowa, as well as the backing of Minnesota's two Democratic senators, Al Franken and Amy Klobuchar, and endorsements from several House Republicans.

But AWEA officials are also relying on a deficit deal to which the extension can be attached.

"It all depends on the ability of Speaker (of the House John) Boehner and the president," said Aaron Severn, AWEA's director of federal legislative affairs. "That's the train that's leaving the station, and you need to get on that train."

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