

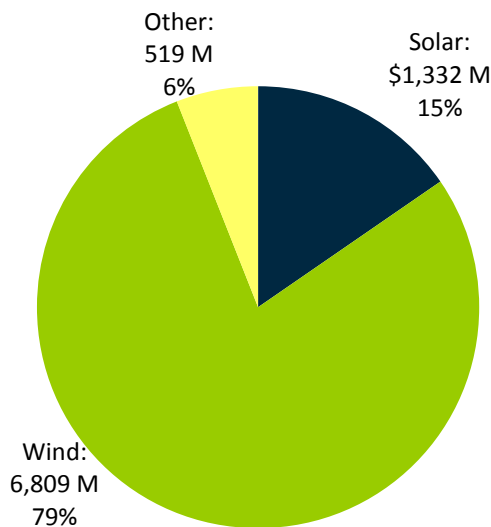
Job Creation from Extending the 1603 Treasury Program

2010 was a successful year for solar energy in the United States. In contrast to 2.8% GDP growth in the U.S. economy, the solar market grew 67% in value from \$3.6 billion in 2009 to \$6.0 billion in 2010. Industry thrived in the midst of a sluggish economy due to the 1603 Treasury Program, which eliminated the need to secure scarce tax equity to finance commercial solar projects. A gap persists today between industry demand and capital availability. The 1603 Treasury Program continues to meet this vital need until private markets recover and catalyze the creation of thousands of jobs.

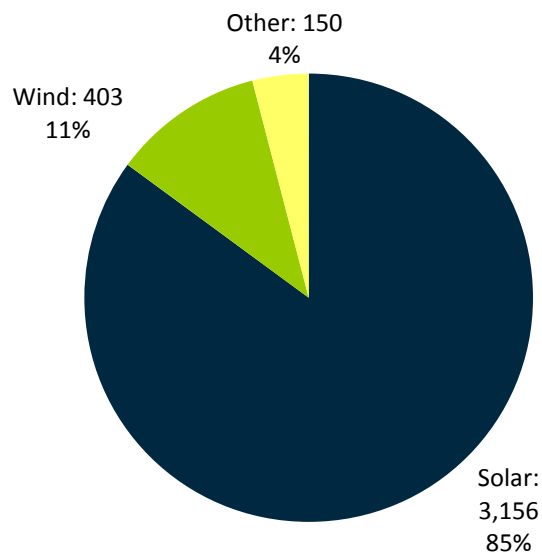
Effect on Solar Energy Industry Employment

As of September 22, 2011, the 1603 Treasury Program awarded 3,156 grants (2,982 for solar electric technology and 174 for solar heating & cooling technology) for more than 6,300 projects totaling \$1.33 billion and supported over \$4.44 billion in solar investment in 46 states.¹

1603 Treasury Awards by Amount



1603 Treasury Awards by Count



Tax Equity Background

Prior to the financial crisis, many renewable energy projects relied upon third-party tax equity investors to monetize the value of federal renewable energy incentives. The economic downturn dramatically reduced the availability of tax equity, severely limiting the financing available for renewable energy projects. Legislation passed in 2009 created the 1603 Treasury Program, which allows the owner of commercial solar property to receive a 30% grant, in lieu of taking the solar Investment Tax Credit (ITC). The program took on additional importance as bonus depreciation provisions passed by Congress in 2010 delays the tax equity market's recovery by limiting the tax appetite available for renewable energy investments in 2011 and 2012. Currently, applicants are eligible for the 1603 Treasury program only if they commence construction on projects by December 31, 2011 and complete construction by December 31, 2016.



Section 1603 Treasury Program has been a Resounding Success

Due in large part to the liquidity provided by this important incentive, the solar industry grew by 67% in 2010, making it one of the fastest growing industry sectors. The solar industry employs over 100,000 American workers in all 50 states.

In its preliminary evaluation of the Section 1603 Treasury Program, conducted at the request of the House Ways and Means Committee, DOE's Lawrence Berkley National Laboratory, noted:

[T]he Section 1603 program provides significant economic value to many renewable power projects, relative to the PTC or even ITC. Specifically, the grant program reduces the market's dependence on scarce and/or costly third-party tax equity, and also in many cases provides more direct or face value to renewable power projects than does the PTC. In addition, a number of indirect or ancillary benefits favor the grant from a renewable project developer's perspective, potentially helping to drive additional renewable capacity additions.

A report issued by the Bipartisan Policy Center in March of 2011 concluded the high returns charged by investors during the financial crisis resulted in tax equity deals "twice as expensive as [deals using] a cash grant subsidy. Put another way, one dollar in cash would have gone nearly twice as far as one dollar in tax credits."² Whereas a project developer can borrow up to 95% of the value of the 1603 award at low interest rates (3-5%, pre-tax) to fund construction of a solar system, tax equity investors currently charge 12-13%.³ This higher cost of capital in tax equity deals, coupled with higher transaction costs, constrains companies' growth. The 1603 Treasury Program provides a more efficient direct benefit to companies developing new projects and creating American jobs.

"Without question, the [1603 Treasury Program] has been the most effective and successful national policy to promote renewable energy investment and deployment. Continued access to the [program] will maintain the current level of investment in renewable energy projects, promote U.S. energy independence and security, and protect and create U.S. jobs."

- Marshal Salant, Managing Director at Citigroup Global Markets Inc.

"The availability of the 1603 payments in lieu of ITCs is the most obvious reason for the growth in renewable energy projects over the past couple of years...Without the 1603 program, the investor pool would have been close to extinct, as there has been a much diminished need for tax credits and a much increased desire to have cash in hand."

- Michael Goldman, Partner at Nixon Peabody LLP

About SEIA®:

Established in 1974, the Solar Energy Industries Association® is the national trade association of the U.S. solar energy industry. Through advocacy and education, SEIA and its 1,000 member companies are building a strong solar industry to power America. As the voice of the industry, SEIA works to make solar a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy. www.seia.org

¹ Individual applicants in each state may “bundle” multiple projects under a single grant application and receive a lump sum award from Treasury. These awards are listed on Treasury’s publicly-available list of awards as a single award, not as a single project. According to data from Treasury’s internal database, the actual number of systems installed is over 6,300, as of February 2011. (Source: DOE)

² Gorence, Nate and Mackler, Sasha. “Reassessing Renewable Energy Subsidies: Issue Brief.” 22 March 2011. Bipartisan Policy Center. Available online at <http://www.bipartisanpolicy.org/library/staff-paper/reassessing-renewable-energy-subsidies-issue-brief>

³ Fisher, Scott, Corneli, Steve, and Taub, Steve. “Tax Credits, Tax Equity and Alternatives To Spur Clean Energy Financing.” September 2011. U.S. Partnership for Renewable Energy Finance. Available online at <http://uspref.org/wp-content/uploads/2011/09/Tax-Credits-Tax-Equity-for-Clean-Energy-Financing.pdf>