



The Honorable Jeff Bingaman
Chairman
Senate Committee on Energy and Natural
Resources

The Honorable Lisa Murkowski
Ranking Member
Senate Committee on Energy and Natural
Resources

The Honorable Max Baucus
Chairman
Senate Committee on Finance

The Honorable Thad Cochran
Ranking Member
Senate Committee on Appropriations

The Honorable Daniel Inouye
Chairman
Senate Committee on Appropriations

The Honorable Charles Grassley
Ranking Member
Senate Committee on Finance

The Honorable Harry Reid
Majority Leader
United States Senate

The Honorable Mitch McConnell
Minority Leader
United States Senate

Re: Please Support Prompt Action to Repair the ARRA Renewable Energy Grants Program and support 23,000 Wind, Solar and Geothermal Energy Jobs

December 11, 2009

Dear Senate Leaders,

As you know, the renewable energy grant program in Section 1603, which allows those who qualify for renewable energy tax credits to secure instead a grant from the Treasury Department, is one of the most successful and important programs in the American Reinvestment and Recovery Act. Last summer, we wrote to call to your attention a small but important drafting problem with the Section 1603 grants program, which has the effect of discouraging billions of dollars in renewable energy investment by private investment funds. Over the past several months, a bipartisan effort was undertaken to repair this problem through a technical corrections tax bill. Although there was broad support for making the required change, in the end the key provisions were not included in the technical corrections tax proposal introduced last week. We are writing now to urge that language to repair this problem be included in spending legislation or other measures likely to be enacted by year's end.

We estimate the provision rendering private investment funds ineligible for the Section 1603 grant program places more than ten billion dollars in new renewable energy development at risk. Our analysis indicates prompt action to repair this problem will support more than 23,000 green jobs in the wind, solar and geothermal industries over the next two years. The nearly 5000 megawatts of renewable energy at risk has the capacity to displace more than 9.5 million tons of carbon dioxide emissions annually, which is equivalent to removing 1.5 million motor vehicles from America's roads every year.

The problem in a nutshell is that Section 1603 includes language that expressly bars any partnership that includes investment from state pension funds or other tax-exempt entities from participating in the grant program. Some assert that the provision was primarily intended to prohibit entities that are eligible for Clean Renewable Energy Bonds (CREBs) from also securing Section 1603 grants. However, as currently crafted, the impact extends well beyond the public power companies that qualify for CREBs. The impact of this provision is to deny access to the grant program for any renewable energy project that is organized as a partnership and has raised any part of its capital from a private investment fund with tax exempt investors. The grant prohibition applies regardless of how small or how indirect the participation of state pension funds or other tax-exempt investors. While we cannot be certain of the objectives behind the ban on cash grants in such situations, we do not believe the drafters intended such a sweeping impact.

The recently introduced technical corrections tax bill includes helpful language exempting non-profits that pay Unrelated Business Income Tax (UBIT) from the ban. Unfortunately that provision does not solve the problem for projects funded by the overwhelming majority of private investment firms with investment at some level from state pension funds or other governmental or quasi-governmental entities.

There is no reasonable policy rationale for excluding renewable energy projects that have been funded partly by private investment funds or state pension funds from the Section 1603 grant program. In fact, doing so is contrary to the energy policy objectives powerfully articulated by the President and Congressional leaders, including legislative proposals now under consideration that would mandate a substantial increase in renewable energy. Without investment from private investment funds, which currently have over \$400 billion in committed capital, it will be next to impossible to achieve the President's ambitious goal of doubling renewable energy production in the United States over the next three years.

We respectfully urge you to promote and support the small but important language change necessary to foster renewable energy investment from private investment funds as part of the end of year spending package or other promptly moving legislative vehicles. Thank you for your attention to this critical issue.

Sincerely,



Denise Bode

CEO

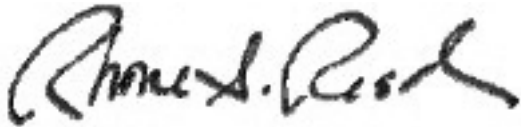
American Wind Energy Association



Karl Gawell

Executive Director

Geothermal Energy Association



Rhone Resch

President and Chief Executive Officer

Solar Energy Industries Association