



### **Extend the Treasury Grants Program (TGP)**

- Congress needs to extend the TGP “commence construction deadline” to December 31, 2012 (2-yr extension):
  - Tax equity financing is still VERY scarce.
  - Our economy is still recovering.
  - Every dollar invested in the TGP projects goes directly to stimulate Renewable Energy (RE) investment, because it avoids what have become expensive tax equity transactions.
  - As a practical matter the TGP will only operate for about 13 months. Treasury will release the first grants around mid-November of this year. Congress intended the program to operate for 24 months.

### **Background:**

- The American Recovery and Reinvestment Act of 2009 (“Recovery Act”) created a TGP for commercial solar property. Companies can access the TGP in lieu of the 30% investment tax credit IF they commence construction on projects by December 31, 2010. This date operates as the “sunset” date for the entire TGP.
- The TGP was created to compensate for the dwindling tax equity market. The absence of tax equity financing continues today and will persist through 2012.
- Lending was fluid when banks had large balance sheets and could make use of a 30% renewable energy (RE) investment tax credit. Banks would invest in projects in exchange for the developing company's tax credit and a related tax write-off called accelerated depreciation, but as losses have mounted, the five remaining big investment banks have cut back on their tax- equity financing.
- Due to the continuing financial crises a big gap still persists between what developers need and what money is available.
- The RE tax credit market last year was worth about \$6.5 – \$9 billion, according to Meridian Investments Inc., a brokerage that puts together tax credit financing deals for RE projects. This year the market has declined to less than \$3 billion and the remaining companies in the tax equity market have demanded higher yields on RE tax equity transactions - from 8% - to as much as 14%.

### **For Large Projects:**

- Many RE projects rely on DOE loan guarantees for financing. The loan guarantee process and associated National Environmental Policy Act (NEPA) reviews from the time of application to the issuance of a term sheet can take up to 18 months, by which time the “commence construction deadline” to take advantage of the TGP will have passed. Applications for DOE’s temporary loan guarantee program solicitation for innovative RE technology and high-efficiency transmission projects were submitted in the middle of September. A solicitation for commercial technology under this program was issued in early October.
  - Larger projects will effectively be PRECLUDED from the TGP due to extended review timelines. Without an extension of the TGP these projects will not go forward.