

Extend the Section 1603 Treasury Program

Tax incentives for renewable energy projects have achieved worthwhile economic and energy policy objectives. However, the weakened economy severely restricts the availability of the private sector tax equity that is typically used to finance energy projects. The Section 1603 Treasury Program provides needed marketplace liquidity and continues to drive strong growth in a wide range of clean energy industries in a technology-neutral manner.

A Proven Success Story

- **The 1603 incentive creates jobs and supports economic development.** The solar industry employs more than 100,000 Americans, double the number from 2009. They work at more than 5,600 companies, the vast majority being small businesses, in all 50 states. The U.S. solar industry grew by 140% in Q3 2011 over the same quarter in 2010, making it one of the fastest growing sectors in the U.S. economy. A one-year extension of the 1603 Treasury Program will create an additional 37,000 jobs.
- **The 1603 incentive is an efficient, technology-neutral finance mechanism** that allows taxpayers and small businesses to maximize the return and value of existing energy tax incentives. The program streamlines project financing transaction costs for companies, many of which are small businesses.
- **The Section 1603 Treasury Program is a proven success.** As of February 2012, the 1603 Treasury Program awarded grants for more than 22,000 solar projects totaling \$1.986 billion and driving over \$4.6 billion in private sector investment in the solar industry across 47 states. Since enactment, the program has leveraged more than \$25.2 billion in private sector investment for a wide range of energy technologies in all 50 states.

Industry Growth During Economic Downturn

- **The 2008 economic crisis severely restricted private sector capital** used to finance solar and other renewable energy projects that utilize tax incentives. Tax equity financing fell from \$6.1 billion in 2007 to \$1.2 billion in 2009.
- **The 1603 Treasury Program simply changes the timing of when an energy incentive can be claimed** because it allows energy developers to receive a federal grant in lieu of taking an existing energy tax incentive they are otherwise entitled to claim. This change in timing, however, provides the liquidity needed for the further development of domestic energy projects.

The Need for Extension

- **The tax equity market has not recovered.** Despite modest improvement in 2011, the tax equity market still has not recovered to pre-recession activity. A July 2011 survey of all tax equity investors by the U.S. Partnership for Renewable Energy Finance estimates expiration of the program would shrink the total financing available for renewable energy projects by 52 percent in 2012.
- **The demand for tax equity is increasing.** The solar industry is one of the fastest growing sectors in the United States economy. The expansion of project pipelines will create even greater demand for tax equity.

Congress should extend the Section 1603 Treasury Program to create jobs in a technology-neutral manner and encourage the continued development of new energy resources such as solar, wind, hydropower, geothermal, biomass, fuel cells, and other qualifying technologies.