

Congress of the United States
Washington, DC 20515

**Co-sponsor H.R. 2502: The Renewable Energy Parity
Act of 2013**

July 12, 2013

Dear Colleague:

Please join me in cosponsoring H.R. 2502, The Renewable Energy Parity Act of 2013, which would change the current placed-in-service requirement for the section 48 investment tax credit (ITC) to a commence construction standard, allowing for a more efficient utilization of the ITC.

At the beginning of this year, as part of the American Taxpayer Relief Act (ATRA), Congress extended the section 45 production tax credit (PTC) for electricity produced from certain renewable energy technologies through the end of 2013. The legislation also made another important change by replacing the PTC's "placed-in-service" requirement with a rule providing that projects which "commence construction" before the expiration of the PTC on December 31, 2013 will qualify for the credit.

Under prior law, in order to qualify for the PTC, a project had to be placed in service – that is, producing electricity – before it could qualify for the credit. Under the placed in service definition, many renewable power projects in the planning stages did not move forward because developers and investors were concerned that projects could not be completed and placed in service before the expiration of the PTC. Replacing the placed-in-service requirement with an expiration date based on when construction begins on a project eliminated this uncertainty.

The Renewable Energy Parity Act of 2013, H.R. 2502, would provide this same certainty to all section 48 energy technologies (i.e., solar, fuel cells, microturbines, small wind, thermal and combined heat and power) by changing the current placed-in-service requirement for the section 48 investment tax credit (ITC) to a commence construction standard, just like the PTC.

While fossil generation enjoys permanent tax treatment, under current law, tax incentives for clean energy projects are provided only on a temporary basis. Like fossil generation technologies, the planning, development, permitting and construction of utility-scale solar energy projects requires many years to complete. According to a recent analysis of utility-scale solar projects currently under construction in the U.S., it takes an average of five and half years to complete a utility-scale solar facility, only two and half years of which is the construction period.

Due to this long development cycle, utility-scale solar energy projects that initiate development today are unlikely to qualify for the ITC, which expires at the end of 2016, because they will not be placed in service before 2016. Any unanticipated and unforeseeable delay in permitting or construction can put a project at risk – and if a project misses the placed-in-service deadline by

even one day, it will not qualify for the ITC. This creates a high degree of uncertainty for both project developers and investors alike and means that many otherwise viable projects that have obtained sites, power purchase agreements, and met other requirements, will not go forward.

The intent of Congress in expanding the solar ITC was to promote the development and growth of the U.S. solar energy industry as part of a national 'all-of-the-above' energy policy. The tremendous success of the ITC in stimulating the creation of thousands of solar energy projects exemplifies the importance of stable and predictable federal policy for the private sector, and has resulted in a high return on public investment in solar energy in terms of domestic job creation, energy security and lower costs to consumers.

The ITC has been a major contributor to the rapid growth of the solar industry. In spite of the national economic downturn, solar installations have grown by 3000 percent since the ITC took effect in 2006, a compound annual growth rate of 77 percent. The growth rate has accelerated in recent years, with 40 percent of total domestic solar capacity installed in 2012 alone. The U.S. now has over 8,500 megawatts of installed solar electric capacity, enough to power more than 1.3 million American homes. Employment in the American solar industry has grown from an estimated 15,000 employees in 2005 to over 119,000 today, working in over 5,600 companies in all 50 states, the vast majority in small businesses.

According to the Solar Energy Industries Association (SEIA), applying the "commence construction" standard across the renewable energy sector would drive the installation of an additional 4,000 MW of solar capacity in 2017 and 2018, and would create tens of thousands of additional new domestic jobs.

Please join me in cosponsoring H.R. 2502. To sign on, please contact Carla McGarvey in my office at carla.mcgarvey@mail.house.gov (225-3311).

Sincerely,



MIKE THOMPSON
Member of Congress