December 13, 2012

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Republican Leader  
United States Senate  
Washington, DC 20510

The Honorable Max Baucus  
Chairman, Senate Finance Committee  
United States Senate  
Washington, DC 20510

The Honorable Orrin Hatch  
Ranking Member, Senate Finance Committee  
United States Senate  
Washington, DC 20510

Dear Majority Leader Reid, Republican Leader McConnell, Chairman Baucus, and Ranking Member Hatch:

We are writing to express our support for modifying key clean energy tax credits in order to encourage greater growth and job creation in the clean energy industry. Specifically, we request that any legislation considered during this Congress to extend and improve renewable energy tax incentives modify both major categories of renewable energy incentives – the Section 45 Production Tax Credit (PTC) and the Section 48 Investment Tax Credit (ITC) – so that projects may qualify for the credit if they “commence construction” before the expiration of the incentive.

The “commence construction” modification was included in S. 3521, the Family and Business Tax Cut Certainty Act of 2012, for the Section 45 technologies, which will provide added certainty for the wind industry and other technologies that utilize the Production Tax Credit. We support the decision to make this change, and retaining this extension and modification of the Production Tax Credit should be a priority as the bill undergoes further consideration by Congress. We believe the same policy should also immediately apply to projects that qualify for the Investment Tax Credit, enabling solar, fuel cells, and other energy technologies to take advantage of the greater certainty afforded by this improved eligibility standard. “Commence construction” is a superior policy mechanism that allows for the full and efficient utilization of both of these incentives and ensures continued industry growth and deployment of all clean energy technologies.

Like fossil generation technologies, the planning, development, permitting and construction process for clean energy projects takes many years to complete. While fossil generation enjoys permanent tax incentives, under current law, clean energy projects need to be in the development pipeline years in advance of the actual deadline in order to qualify for Federal incentives. Clean energy projects require business certainty for the multi-year development and construction timelines. Any unanticipated and unforeseeable delay in permitting or construction can put the clean energy project at risk of not meeting an arbitrary
deadline, thus creating a high degree of uncertainty for both project sponsors and financiers alike.

According to recent analysis of utility scale solar projects under construction in the United States today, it takes an average of 5.5 years to develop a utility-scale solar facility, 2.5 years of which is the construction period. Due to the 5.5 year development cycle, solar energy projects that initiate development this year are unlikely to qualify for Federal solar incentives set to expire in four years, and industry reports a substantial reduction in the number of new project proposals as a result. The solar energy sector has been a bright spot in our economy, experiencing job growth of 27 percent over the past two years. We are concerned that a substantial reduction in project development will lead to a serious slowdown in a rapidly growing economic sector. A “commence construction” standard would provide added certainty and flexibility that will allow many more clean energy projects to move forward during the statutory duration of existing tax incentives.

The change to “commence construction” provides greater certainty to utilities, communities, developers, and lenders that are willing to invest billions of dollars in our nation’s clean energy infrastructure.

Thank you again for your commitment to clean energy tax credits, which continue to help diversify our nation’s energy portfolio, promote competition in the energy markets, grow jobs across the country, and reduce energy prices for American families.

Sincerely,

Barbara Boxer
United States Senator

Michael F. Bennet
United States Senator

Maria Cantwell
United States Senator

Kirsten E. Gillibrand
United States Senator

Dianne Feinstein
United States Senator

Richard Blumenthal
United States Senator

Christopher Coons
United States Senator

Daniel Inouye
United States Senator
Commence Construction for PTC/ITC – 12/13/12

Frank R. Lautenberg
United States Senator

Jeff Merkley
United States Senator

Jeanne Shaheen
United States Senator

Sheldon Whitehouse
United States Senator

Al Franken
United States Senator

Tom Harkin
United States Senator

Patrick Leahy
United States Senator

Debbie Stabenow
United States Senator

Robert Menendez
United States Senator

Bernard Sanders
United States Senator

Tom Udall
United States Senator

Ron Wyden
United States Senator

Daniel Akaka
United States Senator

Amy Klobuchar
United States Senator

Jack Reed
United States Senator

Mark Udall
United States Senator