



April 15, 2015

The Honorable Orrin Hatch, Chairman  
Senate Finance Committee  
104 Hart Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden, Ranking Member  
Senate Finance Committee  
221 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senators Hatch and Wyden:

On behalf of our 2.5 million of members and supporters, Sierra Club thanks you for the opportunity to submit comments to the Senate Finance Energy Tax Working Group. These comments outline tax credits that we consider critical to cutting pollution, creating good American jobs, and meeting our climate change mitigation goals. These credits also ensure that the United States remains competitive globally.

In addition to extending clean energy tax credits, it is important that we end all forms of subsidies to dirty polluting industries. It is untenable for our government to continue subsidizing industries that are mature and the main contributor to climate change.

Furthermore, as the Senate Finance Committee considers reform we urge a long-term extension of clean energy tax credits now. Clean energy tax credits expired at the end of 2014 and, without clear policy, industries are unable to plan for their future. For example, when the PTC expired in 2014, the wind industry lost 25,000 jobs and wind installations dropped between 73 and 93 percent. The boom and bust nature of these credits is crippling this industry and we urge the committee to act now.

The following principles and tax credits should be considered:

**I. Implement a carbon tax**

Our nation must be prepared to deal with the costs and impacts of climate change and key to this goal is raising the funds to pay for these costs. We believe that through a tax on carbon we can raise these revenues from those who emit carbon pollution. For example, a recent report by the Congressional Research Service estimated that a \$20-per-ton tax could raise \$88 billion in 2012, rising to \$154 billion in 2021.

This policy is neither novel nor untested. Across the world in countries such as Denmark, Sweden, Switzerland, Norway, Japan, Iceland, and Mexico, various versions of the carbon tax already exist. In the Canadian province of British Columbia, a phased-in carbon tax of \$30 garnered over \$1.2 billion in revenue in the 2013-14 fiscal year, while reducing per capita fossil fuel use by 16.1 percent from 2008

levels. We can, and should, replicate the success of these programs here at home. Simultaneously, Congress should not weaken EPA's authority to limit greenhouse gases under the Clean Air Act if a tax is considered.

## **II. Reduce the costs of renewable energy financing**

Production tax credits (PTC) and Investment Tax Credits (ITC) have a strong track record of driving growth in renewable energy. Over the past decade they have played a critical role in leveling the playing field for renewable generation and, in the near-term, remain necessary in developing our massive capacity for renewable energy; the National Renewable Energy Laboratories estimate that by 2050 we support generating 80 percent of our energy from renewable sources.

The PTC and ITC remain critical drivers for renewable energy because they help these projects overcome their main obstacle, financing. Renewable energy projects require substantial investment before projects commence, but incur modest costs later on in the asset's life. These credits help mitigate the upfront costs to project developers and ensure that developers will get a return on their investment.

Both credits have been successful. The PTC has driven the average price of wind energy down by more than one-third since 2009. Wind is now less expensive than new coal and nuclear plants in most parts of the country and competitive with new natural gas plants at high quality wind sites. Similarly, the ITC has been incredibly effective- the installed cost of solar photovoltaic (PV) systems decreased by 35 percent between 2009 and 2011, and declined by an additional 27 percent in 2012. As a result of these declines some utility scale solar systems are approaching parity with conventional generators when federal tax benefits are included.

A less established, but equally important, renewable energy source is offshore wind. Wind turbines off our coasts can harness fast wind speeds to power our homes and businesses with pollution-free energy and create new manufacturing jobs. It is critical, therefore, that the ITC for offshore wind be extended so that we can realize the potential of this resource.

### **Related policies to extend:**

- Section 45 Renewable Energy Production Tax Credit (PTC)
- Section 48 Solar Investment Tax Credit (ITC)
- Section 48 Investment Tax Credit (ITC) for Offshore Wind Energy

## **III. Prioritize energy efficiency**

Energy efficiency is the cleanest, most cost-effective way to reduce our nation's energy consumption. Conserving energy is a complicated issue and there are several tax credits that work to improve efficiency across our economy - from the windows we install and the buildings we build. Furthermore, consuming less energy also means saving consumers money and is known to be an important jobs generator.

In the long-term, it is important that the efficiency sector receives tax credits that are predictable to help businesses make sound investments. Energy efficiency improvements, in particular, have multi-year paybacks and their credits should be structured to optimize their return. In addition, credits should be performance-based, whereby the incentive is directly correlated with how much energy is saved.

Tax credits should also help transform the market. Therefore, each provision should have an automatic and periodic update built in to send clear signals to businesses and investors. This update should

improve the credit, by ensuring that the technologies benefiting from the credit save increasingly large amounts of energy.

**Related policies to extend:**

- Section 45L Efficient New Homes Tax Credit
- Section 45M Efficient Appliances Manufacturer Tax Credit
- Section 179D tax deduction for energy efficient commercial and multifamily buildings

**IV. Create clean energy manufacturing jobs that stay at home**

Competition for clean energy manufacturing is fierce, especially from countries with established industrial policies that provide long-term, consistent support to their domestic clean energy sectors. We are at a point with the clean energy sector where we must take action to keep pace. While we must continue to foster demand for clean energy production, we must also continue to directly support our clean energy manufacturing sector.

Previous programs to help establish a clean energy supply chain in the US have been incredibly successful. For example, the American Recovery and Reinvestment Act (ARRA) invested 2.3 billion in domestic clean energy manufacturing and leveraged \$5.4 billion in vital private investments. This program resulted in 17,000 new jobs--producing components and equipment for the burgeoning global renewable energy industry.

**Related policies to extend:**

- Section 48C Advanced Energy Manufacturing Tax Credit

**V. Establish 21<sup>st</sup> century vehicles and transportation solutions**

A sustained and consistent switch to hybrid and plug-in electric vehicles is a key way to slash carbon emissions and oil consumption.

For example, hybrid and electric drive technologies are ripe for deployment in medium- and heavy-duty trucks, especially those in stop-and-go urban, port and industrial sites. Hybrid and electric drives can increase fuel efficiency in trucks from 20 to over 50 percent, yet the incentives for producing and deploying them expired in 2014. Medium- and heavy-duty vehicles are second only to automobiles in oil consumption, and they are responsible for 20 percent of U.S. transportation-based greenhouse gas emissions. Incentives are helping accelerate the development and deployment of more efficient and cleaner vehicles and help create domestic jobs.

Similarly, transportation benefits play a key role in incentivizing mass transit. In 2009, Congress established parity between the parking and transit/vanpool benefit at a monthly cap of \$230 per month. The parity helped increase transit and vanpool ridership across the country in the face of increased energy and transportation costs. The provision also helped save hundreds of millions of dollars for small businesses and corporations who decided to provide assistance to their employees with commute alternatives. Parity expired at the end of 2014, and the resulting decrease of the transit benefit from \$230 per month to \$125 per month will act as a \$500 per-year tax on transit riders with some of the longest commutes.

**Related policies to extend:**

- Section 30B(d)(2)(B) Credits for Hybrid Medium-and Heavy-Duty Trucks

- Section 132 (f) Transportation Fringe Benefits
- Section 30C Alternative fuel vehicle refueling property credit

Once again we thank you for this opportunity to submit comments to your committee on our vision for tax reform. Should you have any questions, please don't hesitate to reach out to our staff.

Sincerely,

A handwritten signature in black ink that reads "Michael Brune". The signature is written in a cursive, slightly slanted style.

Michael Brune