NRDC

November 16, 2016

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

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

The Honorable Paul Ryan
Speaker of the House
United States House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Majority Leader McConnell, Democratic Leader Reid, Speaker Ryan, and Democratic Leader Pelosi:

At the end of this year, many tax incentives are due to expire that promote technologies that are important to our economic and environmental future. These incentives advance clean energy, energy efficiency, and infrastructure technologies that reduce pollution and drive innovation. Their expiration could lead to market disruptions that would hamper the ability of businesses, investors and consumers to plan for or deploy these technologies in the short- to mid-term. Therefore, we urge Congress to pass a tax package that extends credits that contribute to the development and deployment of cleaner energy solutions, create jobs and help us meet our obligation to pass on a cleaner, healthier, safer planet to future generations.

The top priority in tax extenders legislation should be continuing tax credits that make the greatest impact toward meeting our nation's climate change goals and commitments. Those are the Energy Efficient Commercial Buildings Tax Deduction (Sec. 179D), as modified in S. 1946 & Title I of S. 2189, and the Investment Tax Credit for a range of advanced clean energy technologies such as fuel cells, geothermal heat pumps, small wind, combined heat and power (CHP), and microturbines (Sec. 48). Congress could also use this opportunity to bolster energy storage technologies by making them eligible for the ITC as a stand-alone qualifying technology as proposed in S. 3159, the Energy Storage Tax Incentive and Deployment Act. Additionally, Congress should continue the 30D tax credit for electric and plug-in electric vehicles. Among their many benefits, electric vehicles will help reduce fuel expenditures and exposure to oil market volatility. Together, these clean energy technologies can help expand and diversify the nation's electricity supply, reduce pollution, and lower costs for consumers if properly incentivized by Congress.

Additionally, Congress should modify credits that are either not accessible to industries that need them or are no longer reflective of market conditions. For example, the tax credit for offshore wind was included in the phase-down for onshore wind, despite the two technologies being on vastly different deployment and cost curves. This means the credit for offshore wind will be underutilized and the lack

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of incentives will stifle offshore wind's growth, robbing the U.S. consumer of 4.2 terawatts in potential pollution-cutting, domestic, reliable energy. Both the Incentivizing Offshore Wind Power Act (S. 1736) and the Offshore Wind Incentives for New Development Act (S. 3036) offer reasonable solutions to this untapped potential.

The Energy Efficient New Homes Tax Credit (Sec. 45L) is an example of a credit that no longer functions as designed because of changing market conditions. The tax credit was first enacted in 2005 and successfully transformed the new homes market. When the credit was enacted far fewer than 1% of new homes met the qualification levels. However, the credit is now significantly out of date and in some states the minimum code requirement is equivalent to the tax credit criteria, thus ensuring 100% free ridership in those areas. We support a restructuring of the 45L tax credit that provides a credit for builders of homes based on energy rating indices while establishing rules of fairness to prevent destructive competition between efficiency and renewables and to prevent double dipping with existing renewables tax credits.

As part of tax extender legislation, Congress should also extend tax credits that help limit carbon pollution from high carbon-intensity sources. The risk that climate change poses to our planet requires a portfolio of technologies and those technologies need to be catalyzed by supportive policies. Carbon Capture and Storage (CCS) represents an important component of the U.S. and global strategy for achieving deep cuts in greenhouse gas emissions. Widespread deployment of carbon capture technologies could help meet national and global mid-century goals for reducing carbon emissions from electric power generation and a wide range of industrial activities. The Carbon Capture and Sequestration Tax Credit (Sec. 45Q) provides a per ton tax credit for the storage of carbon dioxide and represents a fiscally responsible and effective way to reduce emissions from power plants and well as industrial sources while bringing down the cost of important CCS technology. Congress should ensure this credit becomes effective by lifting the tonnage cap and increasing the credit for permanent sequestration along the lines of the Carbon Capture Utilization and Storage Act (S. 3179). Structured correctly, this provision can incentivize the capture of CO_2 without subsidizing additional fossil fuel production.

Finally, Congress should use tax extender legislation as an opportunity to end a hundred years of handouts to fossil fuels industries. Subsidization of additional fossil fuel production flatly contradicts our obligation to protect our children and future generations from the impacts of climate change by addressing its main cause: carbon pollution. Carbon pollution drives climate change, which triggers more asthma attacks and respiratory disease, worsens air quality, and contributes to more frequent, destructive, costly, and deadly extreme weather events. Our tax policy should heed the science that dictates the vast majority of fossil fuel reserves must remain unburned in order to avoid the worst impacts of climate change rather than continuing subsidies that have long outlived their original rationale.

Energy tax policies should be judged by their contribution to meeting our moral and legal obligation to reduce carbon pollution, to enabling the creation of clean energy jobs, and to ensuring America remains a global leader in clean technologies in the 21st century. Failing to extend and modify these important credits now would cost jobs, slow innovation, and drive away investors who need a clear roadmap for the future. Most importantly, it would slow the urgently needed transition to carbon-free energy sources vital to protecting our children's future.

Thank you for your consideration.

Sincerely,

David Goldston
Director of Government Affairs
Natural Resources Defense Council

Cc: Chairman Kevin Brady, Ranking Member Sander Levin, Chairman Orrin Hatch, and Ranking Member Ron Wyden