

Energy-Related Economic Development Incentives

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Federal Income Tax Incentives

- Production Tax Credit*
- Investment Tax Credit*
- ITC grants*
- Residential Energy Efficient Property
 - 30% credit available to individuals for solar electric (no cap), solar water heating (\$2000), qualified fuel cell property (\$500 per kw capacity), small wind property (\$4000), and geothermal heat pump systems (\$2000).
- Qualifying Advanced Coal Project Credit
 - 15% to 30% credit for advanced coal-based technologies, including IGCC. Available by application. Up to \$1.3 billion available.
- Qualifying Gasification Credit
 - 20% to 30% credit for creating syn gas. Bigger credit available for CCS. Available only to certain industries (e.g., chemical, fertilizer, glass, steel, forest products, and agriculture).
- CCS Credit
 - \$10 per metric ton captured and used for enhanced oil and gas recovery.
 - \$20 per metric ton captured and geologically stored.
- Advanced Energy Investment Credit*



“Federal” Grants, Loan Guarantees, and Bonds

- Reliability improvements. ARRA appropriated \$4.5 billion for expenses necessary to modernize the electric grid, enhance the security of the energy infrastructure, research energy storage, and facilitate recovery from disruptions to energy supply
- Renewable Energy Loan Guarantees*
- Fossil Energy Research and Development
- Clean Renewable Energy Bonds (CREBs)*
- Qualified Energy Conservation Bonds



Production Tax Credit

- Amount: starts at 1.5 cents per kilowatt hour produced and sold to an unrelated person (adjusted up for inflation).
 - Not decreased if take public grants or bond financing.
 - 2.1 cents per kilowatt hour for wind, geothermal, closed-loop biomass
 - 1.1 cents for others
- Resources
 - Wind
 - Closed-loop biomass (exclusive electricity production)
 - Open-loop biomass
 - Geothermal
 - Solar
 - Small irrigation
 - Landfill gas
 - Trash to energy
 - Refined Coal Production
 - Hydro
 - Marine and hydrokinetic
- Availability
 - Expires January 1, 2013 for wind and refined coal
 - Expires January 1, 2014 for all other resources
- Duration: 10 years after placed in service



Investment Tax Credit

- Amount
 - 30%: Utility-scale wind, qualified fuel cell property, solar (electric and heat), solar lighting, small wind
 - 10%: Microturbine property, combined heat and power systems, and geothermal heat pumps
- Availability: through 2016
- Includes utility property
- Mutually exclusive of PTC
- Basis reduction if financed by public financing designed to conserve or produce energy



ITC grants

- How can I monetize my ITC?
 - Syndicate it in the market
 - Apply to Treasury
 - <http://www.treas.gov/recovery/docs/guidance.pdf>
 - Applications can be submitted after the property is under construction
 - Applications due October 1, 2011
 - Treasury will review and make payment on installations already placed in service within 60 days of receipt of an application
- Not eligible
 - Governments
 - Charitable organizations
- NEPA does not apply
- Grants are not taxable income



Advanced Energy Investment Credit

- WHAT ABOUT MANUFACTURERS!?
- \$2.3 billion total available
- 30% credit for new, expanded, or re-equipped manufacturing projects that produce:
 - Equipment to generate electricity from renewable resources
 - Energy storage technology
 - Advanced transmission technologies to support renewable generation
 - Renewable fuel refining or blending technologies
 - Energy conservation technologies
 - Plug-in electric vehicles and components
 - CCS technologies
 - Other property designed to reduce greenhouse gas emissions
- Not automatic. Applications will be evaluated on the following criteria:
 - Job creation
 - Impact on GHG emissions
 - Innovation
 - Commercial prospects
 - Time to completion
- Application period opened August 14, 2009, and applications are due September 16, 2009
- No government monetization (not like the ITC)



Renewable Energy Loan Guarantees

- Expired, for the most part
 - Completeness
 - NEPA
- DOE loan guarantees for projects that employ innovative energy efficiency, renewable energy, and advanced transmission and distribution technologies
 - Up to \$8.5 billion, with guarantees available until obligated
 - Approximately \$6 billion to cover credit subsidy costs
- Eligible renewable facilities: “avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases” (not an additionality requirement), and generate electricity from renewable sources. No commercial technologies. **ALSO INCLUDES “facilities that manufacture related components”**
- Construction will commence on or before September 30, 2011



CREBs

- Additional \$1.9 billion made available by ARRA
- Qualified issuer issues bonds to bondholders; bondholder receives a tax credit in lieu of interest payments from the issuer
- Available for capital expenditures for qualified renewable energy facilities (same as PTC/ITC facilities)
- Qualified Issuers:
 - Governmental bodies
 - Public power providers (state utility with service obligation)
 - Cooperative electric companies



Michigan Programs and Incentives

- PA 295*
- Renewable Energy Renaissance Zones*
- Next Energy Tax Credits*
- One-off state legislation
 - Uni-Solar
- Centers of Energy Excellence
 - R&D money available for noncommercial but commercially capable technologies to be developed by projects teaming up with a University
 - Funds depleted in November, 2008. Renewed?
- Clean Energy Manufacturing Grants
 - Grants available to small, existing Michigan manufacturers. Application period expired August 14, 2009.
- Biomass: August 24 DeLEG announcement of RFP for biomass projects
 - Up to \$24,950 per project available to public and non-profit entities (or partnerships including public and non-profit entities)
 - Applications due September 18, 2009.



PA 295: Michigan's Clean, Renewable, and Efficient Energy Act

- RPS
 - 2% by 2012, 10% by 2015
 - Can meet with existing generation
 - But capacity requirement
 - Can meet with PURPA contracts
 - Can meet with RECs
 - Not a carbon credit
 - Not an offset
 - Not a federal REC
 - Can meet with ACECs
 - Can Meet with EO credits
- Energy Efficiency
 - 1% incremental reductions each year due to efficiency measures
 - Cloaked, immediately dispatchable, generation
 - Inelastic?
 - Really big users can opt out
- Net Metering
 - A state PURPA
 - Flat fee hook-up (\$100) and a timing requirement to interconnect
 - True net metering if under 20 kw nameplate capacity



Renewable Energy Renaissance Zones

- Can be located anywhere in Michigan that contains a renewable energy facility
- Renewable Energy Facility: creates energy from renewables or manufactures systems that do
- Must demonstrate positive economic impact
- Up to 15 year abatement from MBT, state education tax, personal and real property taxes, and local income tax. Still must pay federal, local bond obligations, school sinking fund, and special assessments.





Next Energy Tax Credits

- Refundable Payroll Credit
 - Available to manufacturers of alternative energy marine propulsion systems, alternative energy systems, alternative energy vehicles, and alternative energy technologies
 - Fuel cells, pv, solar-thermal, wind, CHP, microturbine, electricity storage, etc.
- Nonrefundable Business Activity Credit
 - Credit equal to amount by which tax liability attributable to qualified manufacturing exceeded the baseline tax liability, or 10% of the excess of the qualified manufacturing over the same activity in 2001.
- Alternative Energy Personal Property Tax Exemption
 - Qualified new alternative energy personal property is exempt from personal property taxes

A look to the Future

- ACES
 - RECs: 15% by 2020, with efficiency substitutions available
 - Carbon Credits: Safe Climate Act
 - Offsets
 - Preemption Issues
- More stimulus funds to come
 - NEPA hurdles, Buy American
- Renewal of PTC, ITC, grants

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