

The Securing America's Energy Independence Act

H.R. 550
S. 590

Background

The Energy Policy Act of 2005 created a new commercial and residential investment tax credit (ITC) for fuel cells and solar energy systems that applies from January 1, 2006 through December 31, 2007. The credit was extended for one additional year in December 2006. The new tax credit is working and has helped stimulate market growth, but its limited size and duration has restricted manufacturing investment, which is critical to drive down future costs. In response, Congressmen Michael McNulty (D-NY) and Dave Camp (R-MI) and Senators Gordon Smith (R-OR) and Ken Salazar (D-CO) have introduced the *Securing America's Energy Independence Act* (H.R. 550/S. 590), an 8-year extension of the ITC. Last Congress, the revenue estimate for a very similar bill, by the Joint Committee on Taxation, was \$408 million over ten years.



Solar Energy Industries Association (SEIA) is the national trade association of solar energy manufacturers, dealers, distributors, contractors, installers, architects, consultants, and marketers. We work to expand the use of solar technologies in the global marketplace.

805 15th Street, NW
Suite 510
Washington, DC 20005
202.682.0556
www.seia.org

Key Details of the Bills

- **Extends the ITC for all residential and commercial solar and fuel cell equipment for 8 additional years (with the commercial solar ITC reverting back to 10% in 2017).**
- **Modifies the residential and commercial tax credit for photovoltaics to \$1,500 per half kilowatt.**
- **Removes the 30% cap for commercial photovoltaic installations and the \$2,000 cap on residential photovoltaic installations.**
- **Provides AMT relief for fuel cells and solar.**
- **Provides 3-year accelerated depreciation for commercial solar and fuel cell projects.**

Benefits of the Securing America's Energy Independence Act

- **Energy Security.** Solar and fuel cells help to stabilize the grid, provide clean, reliable power, and reduce the impact of natural disasters or terrorist acts. Producing these home-grown technologies in the U.S. will reduce our dependence on foreign sources of energy, while at the same time lowering the cost of energy to consumers.
- **Reduction in the use of high cost natural gas** can be best achieved with expanded use of solar and some fuel cell generation technologies. In most parts of the US, peak electric loads occur when solar electricity is near optimal efficiency (9 AM – 6 PM). Those loads are almost exclusively served by central station gas generation, often the least efficient gas generation. An 8-year extension of the ITC will displace over 4 trillion cubic feet of natural gas and save consumers over \$32 billion.
- **Job creation.** Fuel cells and solar systems require high-tech manufacturing facilities and produce well paying, high-quality jobs. Extending the tax credit will create an estimated 55,000 new jobs in the solar industry and over \$45 billion in economic investment.
- **Clean Energy.** Solar energy is the cleanest of all renewable energy sources, producing electricity and thermal energy with zero emissions, no waste byproducts and no water use. Fuel cells can provide zero emissions energy and can be run from renewable energy resources.

Why an 8-Year Extension is Critical

- **Lead Time for Development.** Similar to other emerging energy technologies such as clean coal and nuclear, large-scale concentrating solar power (CSP) plants and new solar and fuel cell manufacturing plants require long lead times that far exceed the 2-year time period remaining from the 2005 energy bill and 2006 extenders act. Development of a CSP plant can take 3-6 years, while new PV and fuel cell manufacturing facilities require 3-5 years to be completed.
- **Financing** new solar and fuel cell projects is more complex than conventional power plants because of the unfamiliarity of the lending industry with the technology. On average, financing can take an additional 12 months for project development. Political certainty – in the form of a longer term for the ITC – is needed to help reduce the cost of capital for these projects.