COMMITTEE ON
SCIENCE, SPACE, AND
TECHNOLOGY
CHAIRMAN LAMAR SMITH

For Immediate Release | Media Contacts: Kim Smith Hicks, Zachary Kurz
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Statement of Oversight Subcommittee Chairman Paul Broun (R-Ga.)
Hearing on "Assessing the Efficiency and Effectiveness of Wind Energy Incentives

Chairman Broun: Today's hearing is titled "Assessing the Efficiency and Effectiveness of Wind Energy Incentives." It is no coincidence that we scheduled this hearing the day after the deadline for Americans to file their taxes. Corporations, like people, do their best to take advantage of what the IRS offers to either reduce their taxable income, or receive credit for taking advantage of various financial incentives.

The Wind industry in particular enjoys a wide variety of tax breaks which include:

- Production Tax Credits - which are federal tax incentives for U.S. wind projects that incorporate turbines larger than 100 kilowatts;
- Investment Tax Credits – which provide a non-refundable income tax credit of 30 percent for business investments in renewable energy such as those that include small wind turbines;
- The Advanced Energy Manufacturing Tax Credit, commonly referred to as "48C," which allows for a credit amounting to 30 percent of investment in manufacturing facilities for clean energy technologies, including wind energy companies;
- Section 1703 of the Energy Policy Act of 2005, which created a loan guarantee program to support investment in a breadth of energy technology areas and innovative clean-energy facilities, including again, wind energy; and
- Various other incentives that include direct funding as well as money for research and development.

One of the problems with providing companies with multiple tax breaks is the possibility of duplication by the federal government, which is hardly known for its efficiency. A recent GAO report – which we will hear more about later today – provides information that supports my concerns. The report explains that nine agencies implemented 82 federal wind related initiatives in 2011. Together, the initiatives incurred about $4 billion of federal support—$2.9 billion in wind-related spending obligations and $1.1 billion in wind-related tax subsidies. These are relatively new initiatives because almost half of them - 39 of 82 - have been launched since 2009, and most - 68 of 82 - overlapped with at least one other initiative.

Another concern with these initiatives is the question of who's getting these tax breaks. Agencies such as the Department of Energy and the U.S. Department of Agriculture have discretion to consider applicant need for the projects they support; however, as noted in the GAO report, it is unclear to what extent, if at all, these agencies analyze applicants' financial situation.

In other words, instead of doling out money to applicants who will build these projects anyway, these agencies could help those projects that need it more to fund research to make the technology more cost competitive, because, as GAO further notes, 99% of all wind obligations go to deployment rather than R&D. The real driver of wind energy is Renewable Portfolio Standards, which essentially require electricity producers to provide a portion of their energy from various specified renewable sources. These RPSs typically complement Production Tax Credits, which in turn artificially reduce the cost of wind energy. It is important to note that of the 37 states with RPSs that include wind, my state of Georgia is not one of them. Despite that, we too bear the costs of RPSs because Georgia citizens pay for the federal Production Tax Credit, which incentivizes the production of wind facilities – not in Georgia, but in RPS states.

Given our current fiscal environment, it is now more important than ever that we learn to accomplish more with less. That means reducing duplication and fragmentation within the federal programs spread out over multiple agencies. And when you consider the shadow of sequestration that hangs over federal agencies, Americans would be better served by an Administration that reins in questionable tax breaks instead of requiring employees to shoulder the burden of furloughs.

I suspect most of my constituents and fellow Georgians who met yesterday's tax deadline will agree that it's better to be paid a full salary than to take home a smaller paycheck because the federal government is busy tilting at windmills.

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