



Department of Energy
Washington, DC 20585

April 6, 2012

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Cliff Stearns
Chairman
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Upton and Chairman Stearns:

I am writing in response to your March 15, 2012 letter regarding the Section 1603 program (1603 program), enacted as part of the tax provisions of the American Recovery and Reinvestment Act of 2009 (Recovery Act). Secretary Chu has asked me to reply on his behalf.

The 1603 program has played a vital role in the dramatic expansion of America's renewable energy industry over the past three years, helping to promote economic development and job creation and retention over the long-term. The highly successful program has supported more than 23,000 renewable energy projects that have added 13.5 gigawatts of renewable electricity generation capacity—roughly half of all the non-hydropower renewable capacity added to America's electric grid since 2009 and enough to power approximately 3.4 million homes. Together, these projects have leveraged more than \$20 billion in outside investments in addition to the approximately \$9 billion in federal funds under the 1603 program.

Congress enacted the 1603 program under the Recovery Act to support the deployment of renewable energy resources during and immediately after the financial crisis. It did so at a time when renewable energy technologies were making significant strides but when the sudden absence of available financing and tax equity investment was preventing many otherwise promising renewable energy projects from moving forward. The 1603 program offered project developers the option to select a one-time cash payment in lieu of taking the Investment Tax Credit (ITC) or the Production Tax Credit (PTC). While the ITC—in existence since 2008—provided a tax credit for up to 30 percent of the total costs of many types of renewable energy projects, the 1603 program provided an upfront payment equal to the value of these tax credits, thus offsetting the sudden lack of tax equity investors, many of which had been badly damaged in the financial collapse.



The Department of the Treasury (Treasury) administers the 1603 program with technical support from the Department of Energy (DOE). DOE works closely with Treasury to review all applications received under the 1603 program and ensures that funds are disbursed only to applicants that meet the statutory eligibility criteria. Additionally, DOE reviews annual reports, maintains the online system, and responds to applicant inquiries. DOE is also responsible for reviewing post-award reports submitted annually by each applicant for the project's first five years to verify continued operations. For more information, we are enclosing Treasury's March 30, 2012 letter which explains its authority over the 1603 program.

Though Treasury does not report job statistics related to the 1603 program, analysis from a number of sources both within and outside of government supports the program's positive impact on employment and the economy. Most recently, DOE's National Renewable Energy Laboratory (NREL) released a report containing detailed analysis of the 1603 program's job creation and economic impacts, which is included with this letter for your reference. The report found that 1603-funded solar photovoltaic (PV) and large-wind facilities supported an estimated gross:

- 52,000 to 75,000 direct and indirect jobs per year from 2009 to 2011.
- 5,100 to 5,500 direct and indirect jobs per year from operations and maintenance on an ongoing basis over the 20- to 30-year estimated life of the systems.
- \$9 billion to \$14 billion in total earnings and \$26 billion to \$44 billion in economic output as a result of expenditures for construction and installation.

These results are based on peer-reviewed models that were tested during their development, and further work is underway to validate and cross-check their accuracy against data from completed renewable energy projects. However, the outcomes of NREL's analysis are consistent with prior analysis from DOE's Lawrence Berkeley National Laboratory and the Solar Energy Industries Association (SEIA). Berkeley Lab's April 2010 Preliminary Evaluation of the 1603 program's impacts estimated that—by the 1603 program's first year—the program would create 2,400 megawatts (MW) of wind power capacity and support approximately 51,600 gross short-term full-time-equivalent (FTE) jobs during the construction phase and 3,860 gross long-term FTE jobs during the operational phase.

In an analysis prepared for SEIA, EuPD Research also provided an estimate of the gross jobs number supported through an extension of the 1603 program through 2012. EuPD's analysis estimated that a one-year extension would drive additional installation of approximately 370 MW of PV capacity and 130 MW of concentrated solar power capacity, while supporting approximately 18,000 direct and indirect jobs during the solar projects' construction and installation period.

By increasing renewable electricity generation, the 1603 program has enhanced the ability of American renewable energy companies to compete and the United States to lead in the \$260 billion global clean energy economy. Last year—for the first time since 2008—the United States

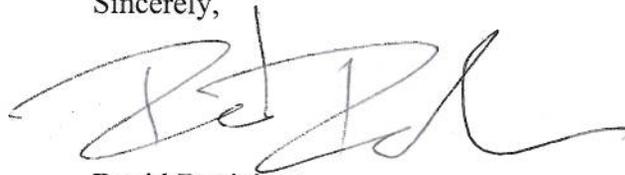
reclaimed the title from China as the world's leader in total clean energy investments.¹ Yet this welcome news comes with a huge caveat. A U.S. comeback is due in large part to providing a level of certainty to the market through effective tax programs and tax incentives for manufacturing. Unfortunately, at a time when the U.S. is poised to make great strides, many existing programs have expired or are set to expire soon.

The United States has reached a crossroads: we can play to win in the clean energy race—investing in America's workers, industries, and innovations—or we can cede leadership to other countries that are investing in these industries.

Trillions of dollars will be invested in clean energy in the coming decades, and countries around the world are moving aggressively to seize this economic opportunity.² With efforts like the 1603 program, DOE believes the United States can win this race.

If we can be of further assistance, please do not hesitate to contact me or Christopher Davis, Deputy Assistant Secretary for House Affairs, in DOE's Office of Congressional and Intergovernmental Affairs at (202) 586-5450.

Sincerely,



David Danielson
Assistant Secretary
Office of Energy Efficiency & Renewable Energy

Cc: The Honorable Henry A. Waxman, Ranking Member
Committee on Energy and Commerce

The Honorable Diana DeGette, Ranking Member
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

Enclosures

¹ "Solar surge drives record clean energy investment in 2011," Bloomberg New Energy Finance, Jan. 12, 2012. Accessible at: <http://bnef.com/PressReleases/view/180>.

² "Spending on new renewable energy capacity to total \$7 trillion over next 20 years," Bloomberg New Energy Finance, Nov. 16, 2011. Accessible at: <http://bnef.com/PressReleases/view/173>.