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On the Introduction of the Wind Incentives for a New Decade Energy Act of 2009

HON. KEVIN McCARTHY
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES

Thursday, March 26, 2009

Mr. McCarthy of California: Madame Speaker, I am pleased to introduce the Wind Incentives for a New Decade (WIND) Energy Act of 2009, which would extend the production tax credit (PTC) over the next decade to demonstrate that we are committed to powering our nation with more alternative and clean electricity.

Electricity prices have soared more than 26% nationally since 2000. Wind energy and other renewable energy resources are a crucial component to ensuring that Americans have access to clean, reliable, diversified, and affordable electricity. According to the U.S. Energy Information Administration, wind energy today accounts for approximately 3% of electricity produced in the United States. However, wind energy capacity has the potential to significantly increase in the United States in the future – but only if we have a stable investment climate.

A clean, reliable, and renewable energy source, wind-generated electricity produces no carbon dioxide or greenhouse gas emissions. In fact, in 2007, the American Wind Energy Association (AWEA) estimated that wind energy displaced more than 28 million tons of carbon dioxide from being released into the atmosphere. A 2007 report compiled by the American Solar Energy Society indicates that widespread use of wind has the potential to displace up to 1,780 million metric tons of carbon dioxide by 2030.

By extending the PTC through 2020, my bill would create long-term fiscal stability primarily in the wind energy market. This certainty is vital to wind energy project planning and development. By providing a long-term credit, wind energy developers can attract investors and plan out schedules for project development, thereby creating an efficient and cost-effective process for allocating resources and encouraging investment in this industry. This alone has the potential to reduce the costs associated with many of these projects thereby making wind-generated electricity more competitive with other types of electricity that is generated.

The wind energy industry currently employs over 85,000 individuals and indirectly employs tens of thousands more in industry-related support services. With a current national unemployment rate of 8.1%, which is higher in the construction sector (21.4%) and manufacturing sector (11.5%), providing long term stability in the tax code for the PTC would help create sustainable, good-paying jobs. In fact, in 2008, AWEA estimates the wind industry invested over \$7.8 billion in wind turbines, primarily made of steel, which translated into purchases of more than \$3 billion of steel and cast iron components.

Additionally, a report published in 2007 by the U.S. Department of Energy's Lawrence Berkeley National Laboratory found that a 5- to 10-year extension of the PTC, relative to one- or two-year extensions, could reduce the cost of wind projects by up to 15%, result in better transmission line planning, enhance private research and development spending, and significantly increase domestic manufacturing of wind equipment thereby, creating American jobs. In addition, this report goes on to indicate that by extending the PTC through 2020, wind energy has the potential to increase in the United States from about 3% to 17% of our electricity supply by 2030.

Unfortunately, since its creation in 1992, the PTC has been allowed to expire three times, only to be retroactively renewed and extended. In addition, Congress has very nearly allowed this credit to expire many times, but then has passed 11th hour extensions of the provision. The 3-year extension of the PTC included in the recently-enacted stimulus bill is a good start; however, given the history of extending this credit, such uncertainty in this process is a major disincentive to long-term wind and renewable energy development. This situation has led to a boom-bust cycle in wind energy rather than a consistent, long-term investment in one of our nation's limitless green energy resources. For instance, information compiled by AWEA shows that each time the PTC was allowed to expire but then was reactively renewed and extended, the subsequent year wind energy installations decreased 73%-93% compared to the prior year.

Kern County, which I represent, is a model of renewable energy resources, and Tehachapi, California, is a leader in wind energy development. In fact, the Tehachapi Wind Resources Area, located in the Tehachapi Mountains of eastern Kern, has attracted wind energy developers because, if you have ever been there, the wind blows nearly all the time through the mountain tops and valleys. Underscoring the vast wind energy potential in this area, over 3,500 wind turbines have already been installed, which produce electricity to power more than 250,000 homes and create more than 650 jobs (both directly and indirectly) in the local communities. In addition, Kern County produces over 30% of the total wind-generated power in California, and accounts for about 5% of the total wind power generated in the United States. Even with all of this, it is my understanding there is still opportunity for significant expansion of wind power in the Kern-Tehachapi area, which some estimates put as high as bringing an additional 6,000 megawatts of wind-generated electricity online. A long-term extension of the PTC would help ensure that the Tehachapi Wind Resources Area, as well as the United States', vast potential for wind energy can be developed in a reliable and timely manner, which not only benefits Kern County, but California and the United States.

It is time for Congress to take decisive action to help ensure that Americans have reliable and affordable renewable electricity. A long-term extension of the PTC would help ensure that we can maximize the potential of our American renewable energy resources, such as wind, and create thousands of new, skilled jobs, both in manufacturing and engineering in this country.