



The Alliance for Industrial Efficiency

March 10, 2014

The Honorable Ron Wyden
Senate Finance Committee
221 Dirksen Senate Office Bldg.
Washington, D.C., 20510

The Honorable Orrin Hatch
Senate Finance Committee
104 Hart Office Building
Washington, D.C., 20510

Dear Chairman Wyden and Ranking Member Hatch:

We are writing to **express our support for the *Renewable Energy Parity Act of 2014 (S. 2003)***, sponsored by Senator Michael Bennet and Senator Dean Heller. This important bipartisan legislation creates parity between renewable energy tax structures and technologies by implementing a “commence construction” eligibility standard for the Section 48 Investment Tax Credit (ITC), which applies to combined heat and power systems.

The Alliance for Industrial Efficiency is a diverse coalition that includes representatives from the business, environmental, labor and contractor communities. We are committed to enhancing manufacturing competitiveness, improving electric reliability, and reducing carbon emissions through the greater use of combined heat and power (CHP) and waste heat to power (WHP). One of the largest barriers to increased deployment of CHP and WHP is the high installation costs of these systems. Unfortunately, when the CHP tax credit was first adopted in 2008, the definition for WHP was inadvertently dropped from the text, so it is not clear whether this technology is eligible for the Section 48 CHP credit – even though it produces no incremental emissions. This oversight should be corrected.

The ITC currently provides tax incentives for new CHP systems that are placed in service by December 31, 2016. The *Renewable Energy Parity Act* changes the tax credit such that systems are eligible if construction begins by this date. Because of their scale and complexity, a typical CHP project takes many years to design, finance and install.¹ With the approaching 2016 expiration of Section 48, the utility of the tax credit is quickly diminishing. The changes to the ITC in the *Renewable Energy Parity Act* reduce concerns among developers of these projects that they will be ineligible for the ITC because they were not able to make the project fully operational before the expiration date.

¹ US EPA Combined Heat and Power Partnership, *CHP Project Development Handbook*, (http://www.epa.gov/chp/documents/chp_handbook.pdf).

CHP is a proven and effective technology used in the commercial and manufacturing sectors to generate electricity and thermal energy from a single fuel source, greatly improving energy efficiency. While CHP currently comprises roughly 8 percent of U.S. electric capacity, the White House recently issued an Executive Order setting a goal of increasing deployment by 50 percent (40 gigawatts) from today's level by 2020. Realizing this goal would stimulate \$40 to \$80 billion in new capital investment in manufacturing and save energy users \$10 billion a year compared to current energy use.² The changes to the ITC made in the *Renewable Energy Parity Act* are a critical step in realizing this full-scale deployment.

We enthusiastically endorse S. 2003, The Renewable Energy Parity Act of 2014 and call on the Senate Finance Committee to take up and pass this important legislation as quickly as possible.

Sincerely,



David Gardiner
Executive Director
Alliance for Industrial Efficiency

² U.S. DOE and EPA, Aug. 2012, "Combined Heat and Power: A Clean Energy Solution"
(https://www1.eere.energy.gov/manufacturing/distributedenergy/pdfs/chp_clean_energy_solution.pdf).