

# Extension of the Wind Production Tax Credit Delivers Fiscal Benefits to Government and Saves Jobs

A one-year extension of the Production Tax Credit (PTC) would result in a *fiscal net benefit to the government of \$768 million*.<sup>1</sup> Alternatively, the uncertainty created by inaction on this issue will delay investment decisions and result in significant job losses.

The net benefit to government stands in stark contrast to cost figures often cited in public discussion that focus exclusively on tax outflows from the U.S. Treasury. While that metric is important for the purposes of budgetary scoring, it ignores the positive impact of federal, state and local tax inflows.

**Federal impact:** Tax revenues flow from wind development projects for the life of the wind farm, well beyond the 10 years that the PTC is awarded. Income taxes on corporate profits and worker payroll also help offset the cost of the PTC to the U.S. Treasury.

**State and local impact:** Wind projects deliver significant tax revenues to state and local governments through state income tax on wages and profits, property taxes and sales taxes.

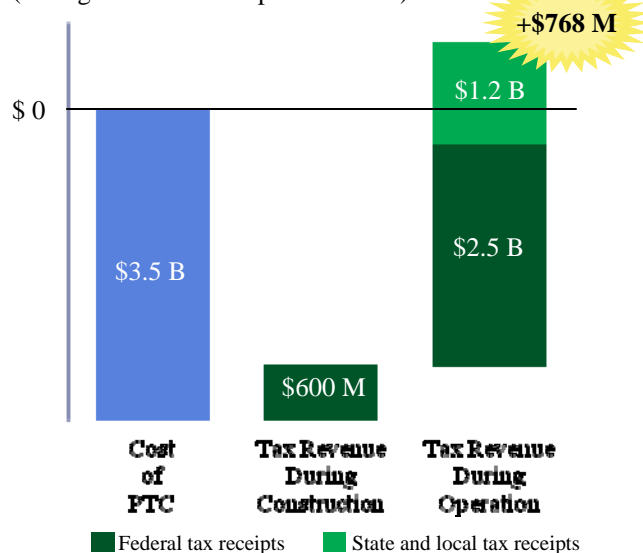
**Jobs impact:** If the PTC is not extended in early 2012, annual U.S. wind installations are forecast to be as low as zero in 2013, down from 5-8 GW in each of the past few years.<sup>2</sup> Total wind supported jobs will drop by nearly half, from 78,000 in 2012 to 41,000 in 2013.<sup>3</sup>

Unlike permanent tax credits, the PTC is only earned by wind projects that are operational before January 1, 2013. Wind projects are developed over several years and have significant lead times for permitting, ordering equipment, component manufacturing and construction.

Because PTC eligibility depends on project completion, the current uncertainty surrounding extension prevents developers from committing to projects for 2013 and beyond. This means that there are no orders being placed for equipment, and turbine manufacturers will need to scale back staffing and their supply chain accordingly beginning in the second quarter of 2012.

## A one-year PTC extension results in a net government benefit of \$768M

(All figures shown net present value)



1 – The \$768 million fiscal net benefit is based upon an estimated 5,000 MW of wind installations in 2013.

2 – EIA AEO 2011 forecast zero installations with no PTC.

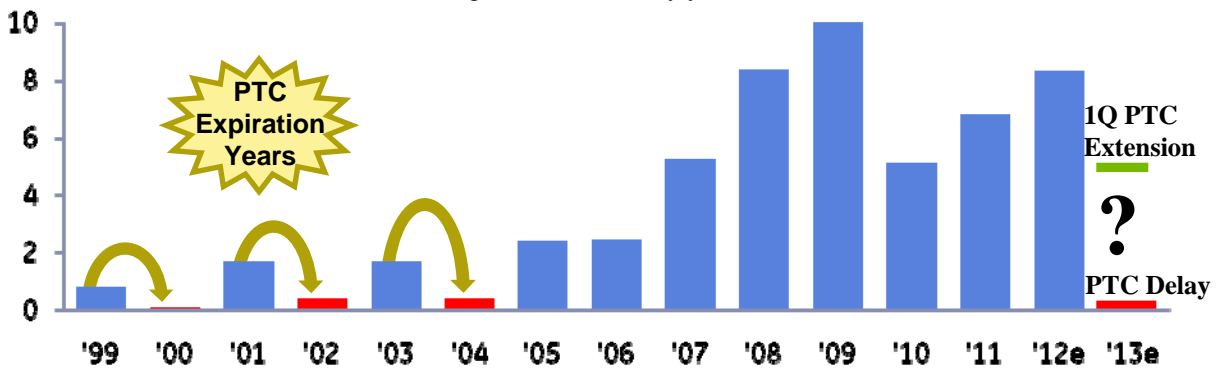
3 – Job loss estimates based upon 2011 Navigant study.

**Impact of PTC expiration:** The PTC was originally enacted as part of the Energy Policy Act of 1992. Since then the PTC has been set to expire seven different times. On three occasions the PTC has been allowed to expire (1999, 2001 and 2003). In the years following expiration, installations dropped between 73 and 93%, with resulting severe job losses.

The wind industry has grown significantly since the last expiration of the PTC in 2003. The American wind industry has increased domestic content from 25% prior to 2005 to 60% today. There are over 400 domestic manufacturers of wind components, accounting for over 20,000 manufacturing and supply chain jobs. The other 58,000 jobs reside in development, engineering, construction and operation of wind projects.

## PTC Expiration Causes Sharp Falloff in US Wind Installations

(Gigawatts installed by year)



(Data source: AWEA installations for '99-'11, under construction for '12, and EIA AEO 2011 for '13 without PTC)

**PTC Background:** The Section 45 Production Tax Credit (PTC) is the main federal incentive for wind project investment. The PTC is a tax incentive that helps keep electricity rates low and encourages development of renewable energy projects. This performance-based incentive is available to owners of wind farms when projects become operational.

In 2012 the PTC provides wind farm owners with a 2.2 cent per kilowatt-hour tax credit for the first ten years of electricity production. The PTC is an effective tool that allows wind developers to raise private capital and effectively lowers the price of electricity for the consumer.

**Study details:** Calculations in this study are based on research performed by NextEra Energy. NextEra is the largest U.S. developer of wind projects with almost 9 GW of operating assets and over 1 GW expected to be built in 2012.

Economic multiplier effects were estimated using the “Jobs and Economic Development Impact” (JEDI) Model from the National Renewable Energy Laboratory.

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