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# 2010 Policy Recommendations for Energy Efficiency & Low Carbon Supply

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NC should clarify legislative language in the state renewable energy tax incentives law to:

- A. Clarify that the use of the federal renewable energy grant in-lieu of tax credits DOES NOT constitute use of public funds.
- B. Clarify that tax credits can be allocated to the tax liability of different investors for the state tax credit vs. the federal tax credit.

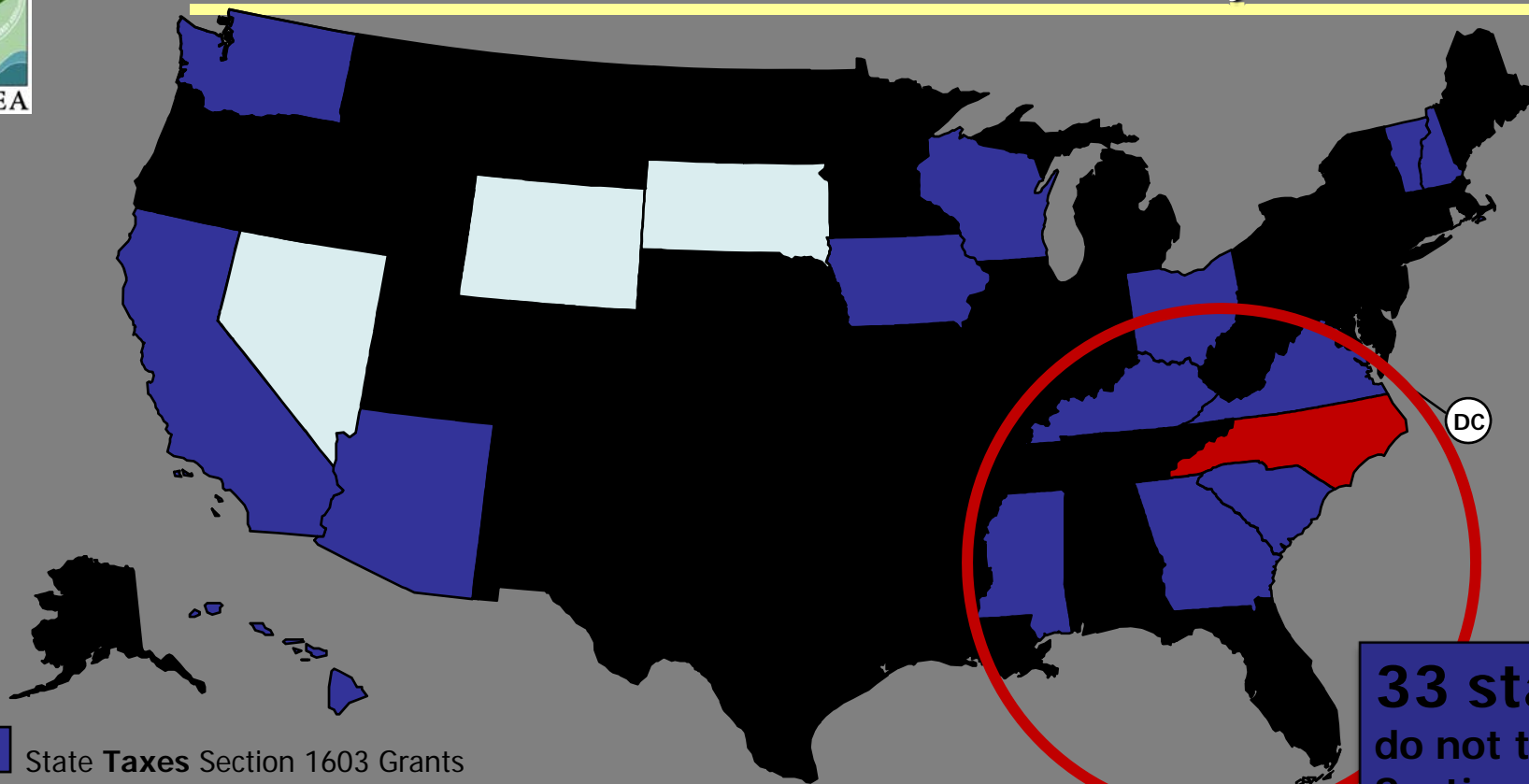
# RENEWABLE TAX CREDIT CLARIFICATIONS



**Seizing this short-term competitive advantage could lead to long-term industry growth for NC** versus neighboring states as more NC projects are developed faster, providing a base for additional manufacturing recruitment.

- The intent of this federal policy is to rapidly stimulate investment in renewable energy projects during a down economy, and Internal Revenue Code Section 48(d)(3) excludes ARRA Section 1603 grants from federal gross income.
- States that are not in conformity with the Internal Revenue Code, as amended, as of February 17, 2009 (the date of enactment of the American Recovery and Reinvestment Act, Section 1603 Grant for Specified Energy Property) are considered to be taxable unless future state legislation is passed.
- As of March 1, 2010, thirty-three (33) states do not treat the Federal Grant as taxable income.
- Given the unprecedented level of Federal funds available for project finance and the expected growth rate for renewable energy projects, acting to make the Section 1603 Grant non-taxable at the State level in 2010 would give North Carolina greater advantage over several neighboring states.


# Where would you develop a renewable energy project when considering Section 1603 Taxability?



 State **Taxes** Section 1603 Grants

 State **Does Not Tax** Section 1603 Grants

 No State Income Tax

 Recent private letter rulings have ruled that the Section 1603 would be taxable at the State level, and are stalling project development.

**33 states**  
do not tax  
Section 1603  
Grants in  
accordance  
with Internal  
Revenue Code  
Section  
48(d)(3)

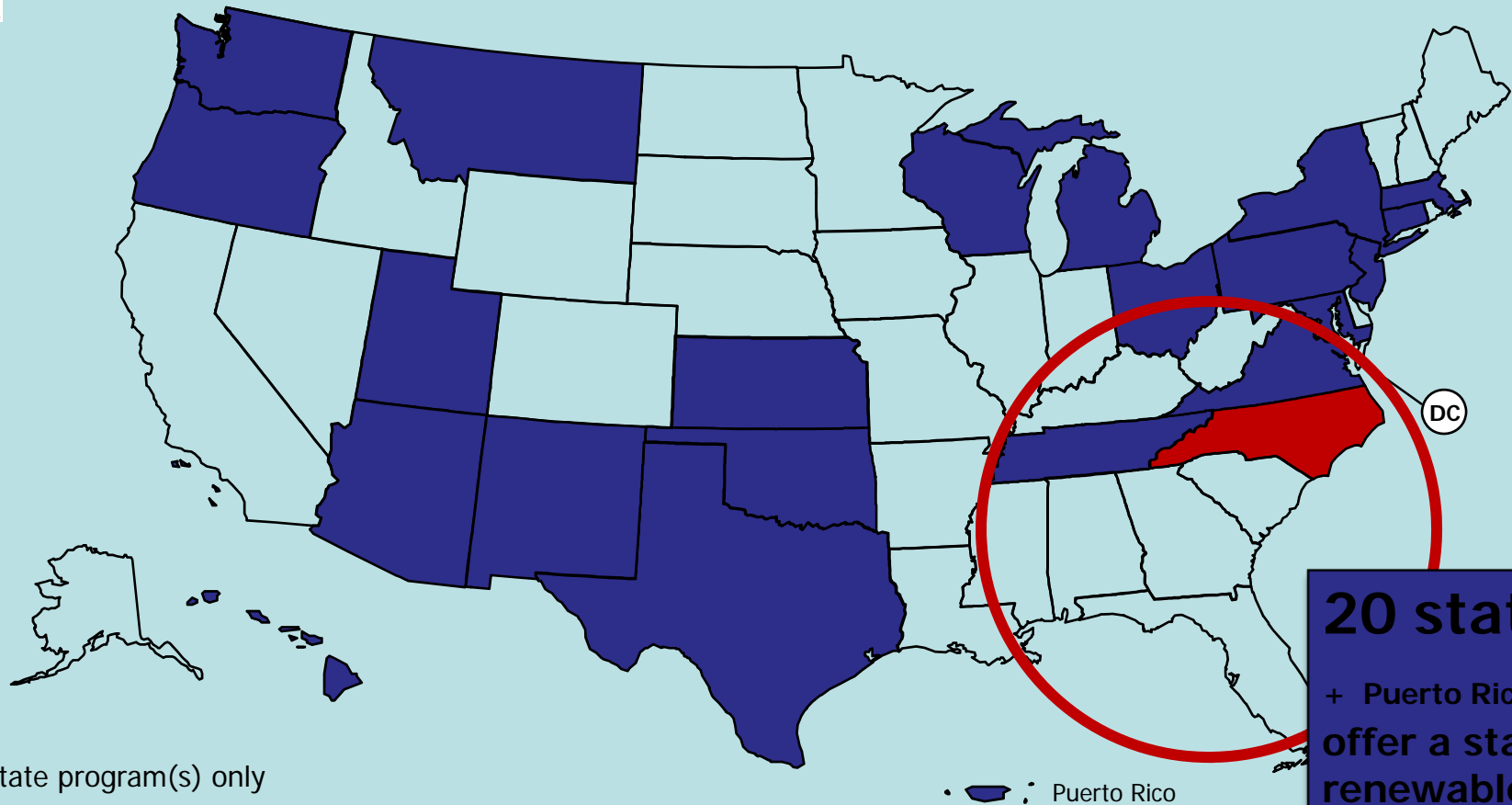
# RENEWABLE ENERGY MANUFACTURING TAX CREDIT

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NC should re-instate and make competitive improvements to the NC Renewable Energy Manufacturing Tax Credit that expired in 2006, including:

- A. Provide corporations that construct, expand or retool a NC facility for manufacture of renewable energy property or renewable energy components a 25% tax credit on the tax imposed on the cost of installation and equipment.
- B. Limit eligibility to renewable energy end products or components intended for renewable energy end products.
- C. Consider expanding policy to batteries for electric vehicles.
- D. Allow the credit to be taken against franchise and income tax.

# States Currently Offering Renewable & Efficiency Manufacturing Industry Recruitment / Support



**20 states**  
 + Puerto Rico  
 offer a state  
 renewable  
 &/or energy  
 efficiency  
 manufacturing  
 tax credit

# PACE Financing

(Property Assessment for Clean Energy)

NC should provide more options to finance clean energy by:

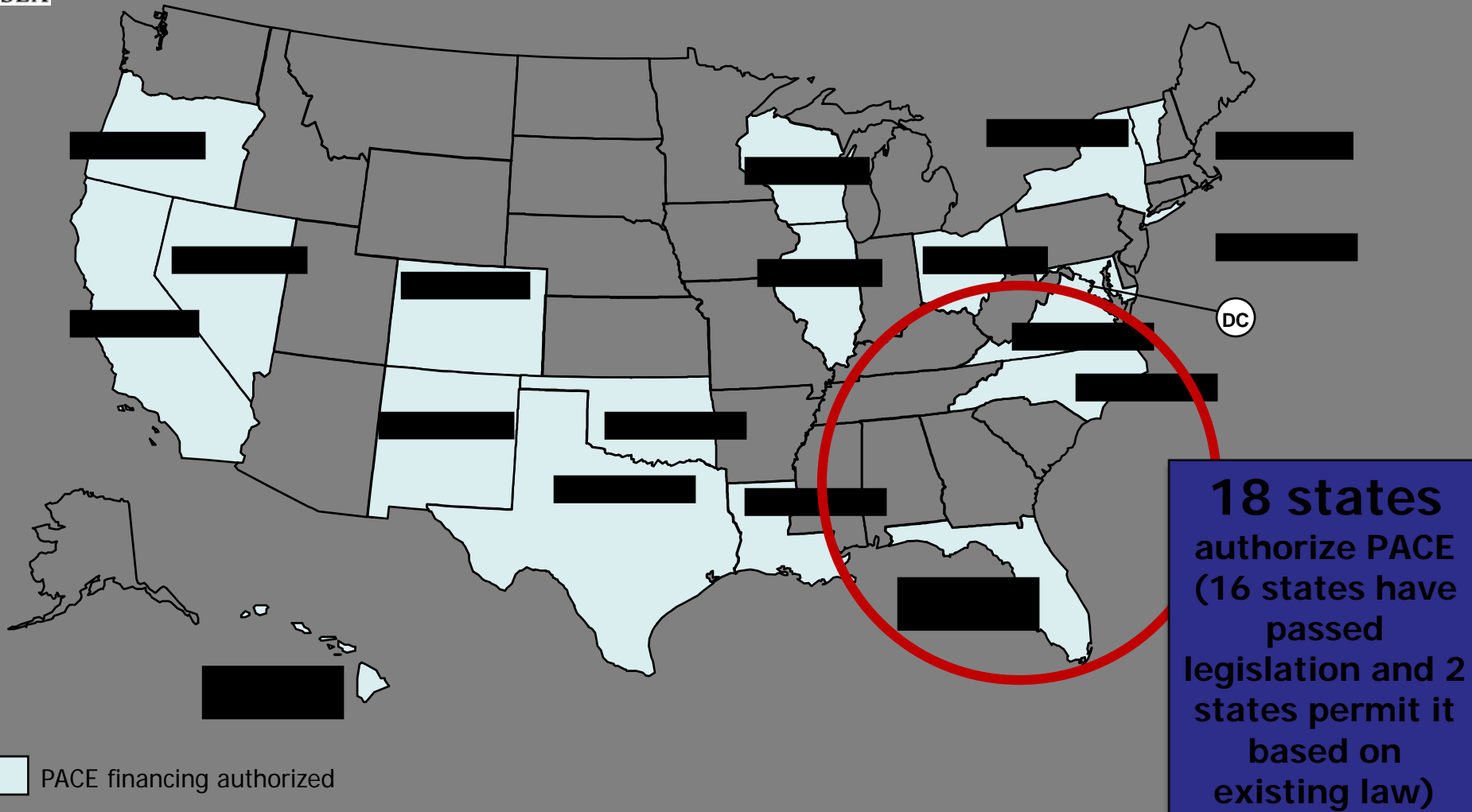
- Clarifying authority granted in SB 97 and HB 1389
- Specifically, authorize local governments, rural electric co-ops and municipalities to:
  - Allow PACE-style programs
  - Offer long-term PPAs at a standard offer price for renewables



Photo: NREL

# States Authorizing Property Assessed Clean Energy (PACE) Programs

[www.dsireusa.org](http://www.dsireusa.org) / March 2010



# CLARIFY INTENT OF REPS LAW

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NC should clarify at least the following two aspects of the NC Renewable Energy and Energy Efficiency Portfolio Standard Law:

- A. Require electric utilities to publicly report quarterly to the NC Utilities Commission the quantity of renewable energy certificates they have already bought to put toward compliance with the REPS law and identify how many of these renewable energy certificates they intend to retire in each year through 2021 toward compliance with the REPS law.
- B. Clarify that the “set asides” for solar power must be met by retiring renewable energy certificates created by solar power and solar thermal facilities located within the geographic boundaries of our state.
- C. Clarify legislative definition of “in-state” by defining “in-state” to mean inside the political boundaries of our state.

# RENEWABLE ENERGY PROPERTY RIGHTS

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NC should provide greater flexibility in finding ways to finance a personal or business investment in clean energy by:

- Clarifying through law that renewable energy customer-generators own their renewable energy certificates (RECs) and can negotiate their sale under all circumstances with no regulatory exceptions.
- Revising our state 'solar access law' such that home owner associations, counties, cities, deeds , or covenants from the date of enactment forward may NOT restrict a person's decision whether to install solar power or solar thermal hot water system on their personal or business property.

# FUND STUDIES PASSED INTO LAW IN 2009

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To conduct the renewable energy studies passed into law in 2009, North Carolina should appropriate:

- A. \$40,000 for completion of the renewable energy certificate trading system study passed into law as part of Senate Bill 960 in 2009, and
- B. \$200,000 for completion of the feed in tariff study for local and state policy approaches passed into law as part of the omnibus 2009 studies bill.

# Wind Energy



To provide regulatory clarity, NC should:

- Adopt an environmental permitting process for ENC
- Adopt an environmental permitting process for WNC
- Clarify the “Ridge Law” to allow:
  - Wind turbines of 100 kW or less on protected ridges
  - Wind turbines > 100 kW as allowed by local ordinance



Photo: NREL

# Bioenergy

- Clarify definition of “renewable energy resource”
- Implement sustainability standards
- Establish mechanisms for sizing/siting of plants
- Establish system of monitoring/data collection and periodic review





# Questions?

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