



Bridge to a Clean Energy Future Act of 2015

Congressman Earl Blumenauer ■ Third District of Oregon ■ blumenauer.house.gov

Background

The impacts of a changing climate are far-reaching, representing a threat not only to our natural ecosystems but to our national security as well. To help avoid the worst effects of carbon pollution, consumers must have a dependable supply of energy that is clean, renewable, and American. The right combination of tax incentives, regulatory changes, and investment in research and development for cleaner energy can expand the renewable energy market and put renewable energy on an equal footing with traditional fossil fuels.

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The *Bridge to a Clean Energy Future Act of 2015* extends critical clean energy incentives to provide market certainty and to strengthen investment in renewable technologies. In doing this, it will support thousands of jobs in clean energy industries, advance US manufacturing, and enable our transition to clean, renewable energy.

For example, this legislation extends the Production Tax Credit for wind energy through 2016, offering parity with the duration of the Investment Tax Credit enjoyed by solar energy investments, while also granting the solar industry access to credits at the start of a project's construction, as is currently available for the wind industry. The bill also provides a range of other important incentives, such as expanding the advanced energy project credit, which aids US manufacturers across the clean energy industry.

Strengthening the finance environment for the construction and development of renewable energy installations not only will help us to combat climate change and diversify our energy market, it will also strengthen the US economy by creating American jobs, by supporting American manufacturers, and encouraging American innovation. From a strong base at home, American clean energy firms are also able to export technologies around the world, creating new markets for American expertise.

This bill is more than fully offset by repealing incentives for fossil energy.

A full list of the provisions follows.



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Title I – Extension and Modification of Energy Tax Provisions

1. Extension and modification of credit for nonbusiness energy property (Section 25C)

The bill extends, for two years, through 2016, the 10 percent credit for purchases of energy efficient improvements to existing homes. Homeowners can claim up to \$200 for energy efficient windows, up to \$150 for an efficient furnace or boiler, and up to \$300 for other improvements, including insulation. The total credit is capped at \$500 per taxpayer. The bill also modifies the provision by requiring windows, doors, and skylights to meet recent Energy Star requirements; by adjusting qualifications for water heaters and boilers; and by allowing energy efficient roofing products to qualify. *This provision is estimated to cost \$1.387 billion over 10 years.*

2. Extension of alternative motor vehicle credit for qualified fuel cell motor vehicles

The bill extends, for two years, through 2016, the credit for new fuel cell motor vehicles. For vehicles fueled by combining hydrogen with oxygen to create electricity, taxpayers can claim a base credit \$4,000 credit for cars and light trucks. Taxpayers can claim up to \$40,000 for heavier vehicles, depending on their weight. *This provision is estimated to cost \$6 million over 10 years.*

3. Extension of credit for alternative fuel vehicle refueling property

The bill extends, for two years, through 2016, the 30 percent investment tax credit for alternative vehicle refueling property. Eligible refueling property includes fuel pumps for ethanol, biodiesel, liquefied hydrogen, and compressed or liquefied natural gas. *This provision is estimated to cost \$112 million over 10 years.*

4. Extension of cellulosic biofuels producer tax credit

Under current law, facilities producing cellulosic biofuel can claim a \$1.01 per gallon production tax credit on fuel produced before the end of 2014. The bill would extend this production tax credit for two additional years, through 2016, for cellulosic biofuel produced through 2016. *This provision is estimated to cost \$45 million over 10 years.*

5. Extension and modification of incentives for biodiesel and renewable diesel

The bill extends, for two years, through 2016, the \$1.00 per gallon tax credit for biodiesel, as well as the small agri-biodiesel producer credit of 10 cents per gallon. The bill also extends through 2016 the \$1.00 per gallon tax credit for diesel fuel created from biomass. In addition, the bill modifies the provision by converting the incentives for biodiesel and renewable diesel into an incentive for producers of such fuel in the United States. *This provision is estimated to cost \$2.473 billion over 10 years.*

6. Extension of renewable production tax credit

Under current law, taxpayers can claim a 2.3 cent per kilowatt hour tax credit for wind and other renewable electricity produced for a 10-year period from a facility that has commenced construction by the end of 2014 (the production tax credit). They can also elect to take a 30 percent investment tax credit instead of the production tax credit. The bill extends these credits through December 31, 2016. *This provision is estimated to cost \$10.492 billion over 10 years.*

7. Extension of credit for construction of new energy efficient homes

The bill extends, for two years, through 2016, the credit for the construction of energy-efficient new homes that achieve a 30 percent or 50 percent reduction in heating and cooling energy consumption relative to a comparable dwelling constructed within the standards of the 2003 International Energy Conservation Code (including supplements). *This provision is estimated to cost \$760 million over 10 years.*



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8. Extension of allowance for second generation biofuel plant property

The bill extends the present law depreciation allowance for two years, to qualified second generation biofuel plant property placed in service prior to January 1, 2017. This applies to property placed in service after December 31, 2014. *This provision is estimated to cost less than \$500,000 over 10 years.*

9. Extension and modification of energy efficient commercial buildings deduction

The bill extends, for two years, through 2016, the deduction for energy efficient improvements to commercial buildings. The improvement can be made through efficient lighting systems, heating, cooling, ventilation, and hot water systems. In addition, the bill modifies the provision to update the qualifying efficiency standards to a more stringent level, and it allows tribal governments and non-profits to allocate the deduction to designers. *This provision is estimated to cost \$315 million over 10 years.*

10. Extension of rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities

The bill extends, for two years, the treatment under the present-law deferral provision to sales or dispositions by a qualified electric utility that occur prior to January 1, 2017. *This provision is estimated to have no revenue effect over 10 years.*

11. Extension of alternative fuel credit and alternative fuel mixture credit

The bill extends through 2016 the \$0.50 per gallon alternative fuel tax credit and alternative fuel mixture tax credit. See item 2 in the section entitled “Revenue Raising Provisions in the Bill” for a description of a modification to the alternative fuel credit. *This provision is estimated to cost \$918 million over 10 years.*

Title II – Additional Clean Energy Provisions

1. Extension of energy credit for certain property under construction.

This provision would allow section 48 technologies—such as solar and thermal energy—access to the same commence construction language and rules as section 45 technologies. The Solar Energy Industries Association (SEIA) estimates this will drive the installation of an additional 4,000 megawatts (MW) of capacity in the solar industry alone, and given its application to other technologies, would assist manufacturers in developing more efficient industrial processes and distributed electricity generation opportunities. *This provision is currently being scored.*

2. Modifications in credit for combined heat and power system property.

This provision increases the section 48 credit for combined heat and power systems to 30 percent from 10 percent and removes the limitation that prevents larger projects from qualifying from the incentive. *This provision is currently being scored.*

3. Energy credit for waste heat to power property.

This provision expands the 30 percent credit in section 48 to encompass waste heat to energy projects, allowing recovery of waste heat from industrial manufacturing processes, such as flared gas, vented heat, and waste gas, that can be used to generate additional energy. *This provision is currently being scored.*

4. Investment tax credit for community wind projects.

This provision would update the definition for “qualifying small wind property” found in Section 48 to allow for an aggregate set of small wind turbines, not to exceed 20 megawatts of capacity, to qualify for the investment tax credit. This would aid in the development of community wind projects. *This provision is currently being scored.*



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5. Extension of publicly traded partnership ownership structure to renewable energy and storage.

A master limited partnership (MLP) is taxed as a partnership, but is traded similarly to corporate stock. MLPs have only been available to investors in energy portfolios for oil, natural gas, coal extraction, and pipeline projects. These projects can access capital at a lower cost and are more liquid than traditional financing approaches to energy projects, making them highly effective at attracting private investment. This provision would allow renewable energy technologies and energy storage technologies to qualify for this treatment. *This provision is currently being scored.*

6. Additional advanced energy manufacturing credit allocations.

This provision would allocate an additional \$2.7 billion in Advanced Energy Manufacturing Tax Credits. These credits allow the Department of the Treasury to provide developers with an investment tax credit of 30 percent for the manufacture of particular types of energy equipment. Coupled with underlying tax benefits for renewable energy, these credits allow the federal government to partner with manufacturers to ensure that the full value chain for expanded renewable energy and efficiency technologies is strengthened in the United States. *This provision is currently being scored.*

Title III – Ending Oil and Gas Tax Subsidies

- 1. Match the section 167 amortization periods for oil and gas companies at seven years.** Certain companies amortize the costs of exploratory work in two years, while other companies must amortize those same costs over seven years; this change harmonizes this policy at seven years. *This will save taxpayers \$1.1 billion over ten years.*
- 2. End the section 45I credit for producing oil and gas from marginal wells.** This tax credit provides a price floor for the production of heavy oil from wells with limited production. *Should oil prices rise, this will save taxpayer dollars.*
- 3. End the section 43 credit for enhanced oil recovery.** This tax credit provides a 15 percent general business credit to the cost of extracting oil too viscous to be extracted by conventional water-flooding techniques. It also offsets the cost of constructing pipeline facilities, the cost of depreciable property within such projects, and the cost of tertiary injectants. *Should oil prices rise, this will save taxpayer dollars.*
- 4. End the section 263(c) provision allowing the expensing of intangible drilling costs.** This provision allows intangible drilling costs—i.e., wages, fuel, repairs, and supplies related to and necessary for drilling and preparing wells for the production of oil and gas—to be deducted in the year they occurred. In contrast, non-energy companies must depreciate these costs over time. *This will save taxpayers \$13.5 billion over ten years.*
- 5. End the section 613A depletion for oil and gas wells.** Oil and gas properties qualify for “percentage depletion,” a deduction of 15 percent of gross revenues from the well, even if the deduction exceeds the well’s value. *This will save taxpayers \$17.2 billion over ten years.*
- 6. End the section 193 deduction for tertiary injectants.** Under this rule, oil companies deduct expenses relating to the cost of tertiary injectants during the taxable year, instead of depreciating these costs over a typical cost recovery schedule. *This will save taxpayers \$60 million over ten years.*



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7. **End the section 469 exception for passive loss limitations for oil and gas properties.** Taxpayers can shelter active income through passive losses or credits associated with the production of oil and gas, a condition that does not apply to other sources of passive income or credit. *This will save taxpayers \$229 million over ten years.*
8. **End the section 199 domestic manufacturing deduction for oil and gas production.** Taxpayers with income from domestic oil and gas activities may deduct a percentage of their gross receipts minus the costs of their production. *This will save taxpayers \$12 billion over ten years.*
9. **Repeal Last-In, First-Out (LIFO) accounting for the major integrated oil companies.** LIFO allows large oil companies to discount the value of their inventories. The legislation repeals LIFO for the largest oil companies – those that annually produce at least 500,000 barrels of oil, refine an average of more than 75,000 barrels per day, and have more than one billion dollars in annual gross receipts. *This provision is currently being scored.*
10. **End the Section 901 Foreign Tax Credit loophole for dual capacity oil companies.** Dual capacity taxpayers pay both foreign income taxes as well as payments for specific economic benefits. Current rules are loosely drafted, allowing big oil companies, among others, to count lease payments as foreign taxes for purposes of claiming foreign tax credits. *The President's Fiscal Year 2016 budget scores this change at \$11.6 billion over ten years; this legislation would be tailored to oil companies, reducing those savings.*