

The Reality of U.S. Energy Incentives

Wind Power: Affordable, Clean, and Homegrown

Federal incentives and programs have long been used to encourage domestic energy production.

The Congressional Research Service notes:

“For more than half a century, federal energy tax policy focused almost exclusively on increasing domestic oil and gas reserves and production. There were no tax incentives promoting renewable energy or energy efficiency.”

In the last century, this created an abundance of affordable domestic energy, powering strong economic growth, but also building an addiction to fossil fuels. Today’s energy concerns –such as volatile prices or environmental risks – are creating a need for a more diverse energy supply.

FOR MORE INFORMATION, PLEASE CONTACT:

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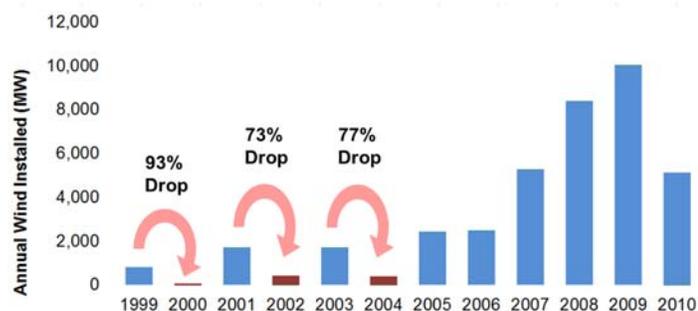
Wind power is a mainstream source of American electricity. Diversifying federal incentives to include cleaner, affordable, homegrown renewable energy technologies like wind is smart energy policy.

- Every energy technology is supported by the federal government. Wind energy is no exception, nor should it be.
- The Government Accountability Office (GAO) estimated federal incentives for electricity between Fiscal Year 2002 and 2007, concluding that:

“Tax expenditures largely go to fossil fuels: about \$13.7 billion was provided to fossil fuels and \$2.8 billion to renewables.”

- **Proven results:** The main incentive for wind, the federal renewable energy production tax credit (PTC), is an effective policy tool for encouraging wind power development, as evidenced by the rapid growth in U.S. wind power when the PTC was in place.
- **Un-level Playing Field:** Some energy incentives, like the depletion allowance for oil and gas, are permanent in the tax code and have been in place since the 1920s. As a matter of fact, U.S. government subsidies for oil, natural gas and coal have totaled over **\$500 billion** from 1950 to 2006 according to MISI. Wind energy’s primary incentive, the PTC, has been allowed to expire multiple times, including in 1999, 2001 and 2003, causing a market drop of 73 to 93%; and has been consistently reinstated for only one- or two-year terms. In effect, many subsidies for new, clean energy technologies are temporary, while many for older, polluting energy technologies are permanent.

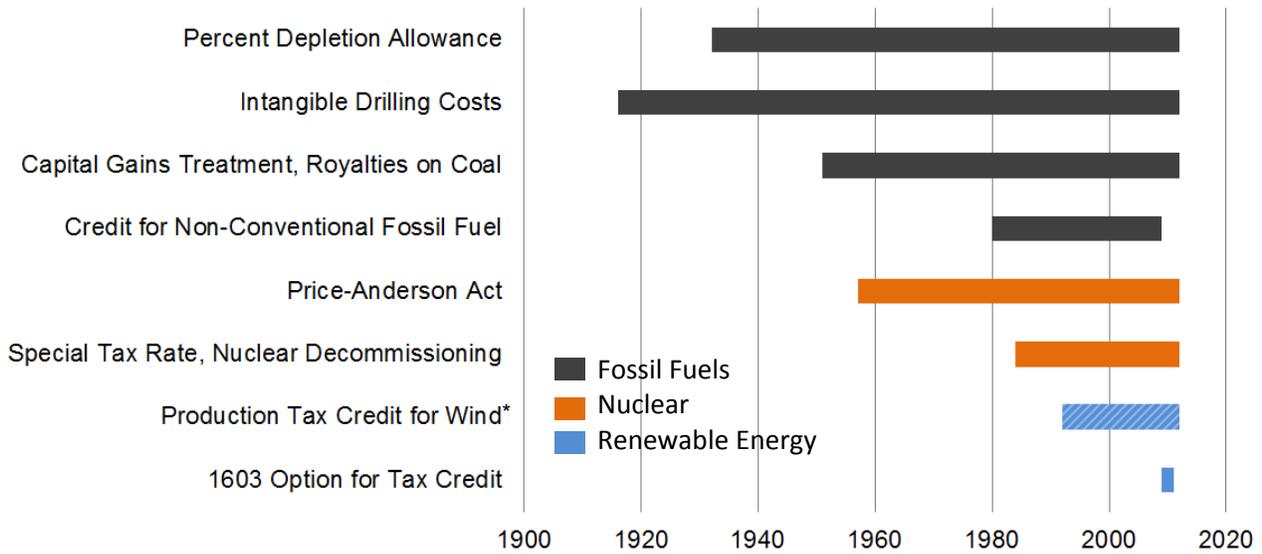
Historical Impact of Expiring Tax Credits on Annual Wind Market



- **Long-Term Policy Signal Needed:** To create a real market for wind and manufacturing in the U.S. to compete globally, the U.S. needs to provide a long-term, clear and consistent policy signal.

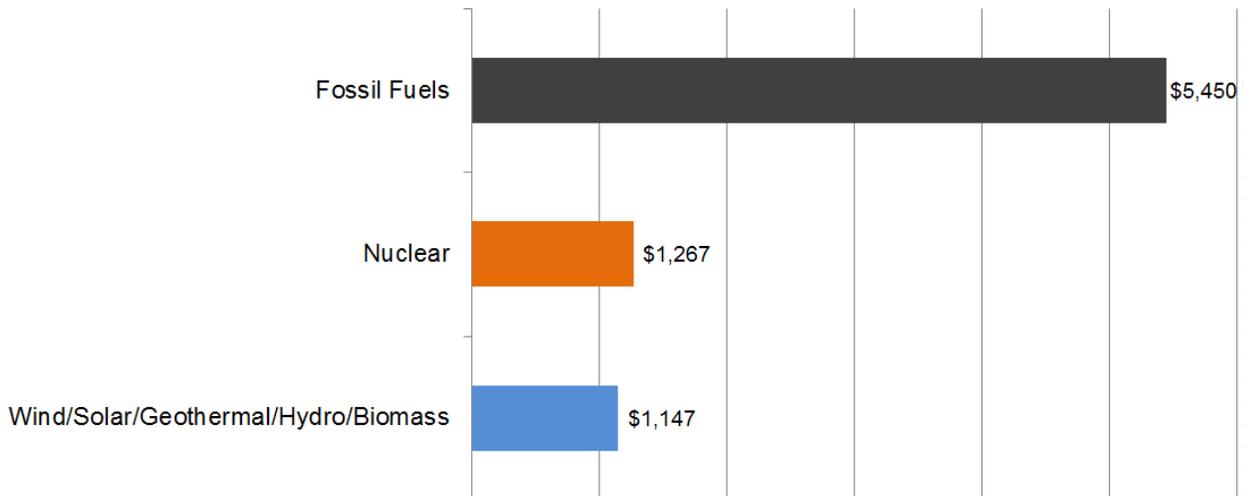


Timeline of Selected Energy Incentives for Fossil Fuels, Nuclear and Renewable Energy



* PTC for wind and renewables expired in 1999, 2001, 2003
 Data Source: Internal Revenue Code, Congressional Research Service, Joint Committee on Taxation

Energy Incentives in 2007 (in millions)



Data Source: EIA, 2008