American Wind Energy Association
March 18, 2020

COVID 19 Impacts on American Wind Industry and Mitigation Proposals

The impact of COVID-19 on the wind industry will be significant—an estimated **25 GW of wind projects are at risk,** representing **$35 billion in investment**; the potential **loss of over** $**8 billion to rural communities** in the form of state and local tax payments and land-lease payments to private landowners; and the loss of **over 35,000 jobs,** including wind turbine technicians, construction workers, and factory workers.

AWEA is finalizing language that we will distribute to your offices as soon as possible, providing a clearer legislative framework. In the meantime, below are priority I legislative proposals the industry believes would mitigate the impacts of COVID-19 and priority II proposals that could be considered as part of a broader economic stimulus package.

Priority I: Proposals to Combat COVID-19 Impacts on wind industry-driven jobs and investment

The U.S. wind industry was poised for a period of tremendous growth, investing over $62 billion in wind projects totaling more than 44 GW that are scheduled to be online within the next few years. Delays and uncertainty driven by the novel COVID-19 pandemic seriously threaten the industry's ability to deliver these projects and the associated jobs and economic benefits.

Developers made investments and planned projects based on the originally safe assumption they would be able to complete the projects in time to qualify for the production tax credit (PTC), which reduces cost to consumers and improves project economics. The current uncertainty is having an immediate effect on construction financing, which is typically paired with a forward tax equity commitment, putting monthly project funding at risk. The impacts will worsen with time and will compound as supply chain and construction delays for 2020 projects impact 2021 projects which, in turn, impact 2022 and 2023 projects even if, as we all hope, the pandemic is under control in the near future.

Congress can eliminate the uncertainty and enable projects, investment and hiring to move forward by:

1. Extending the PTC/ITC continuity safe harbor from four to six years for projects commencing construction after December 31, 2015, and
2. Securing a direct pay provision equal to 100% of the PTC/ITC value to address potential decreases in the availability of tax equity.

Priority II Proposals to consider as part of a broader economic stimulus

As Congress looks for ways to further revitalize the U.S. economy, the wind industry can play important roles. Existing tariff measures on wind components and raw materials like steel and aluminum have already resulted in cost increases of up to 5% putting a significant portion of future wind development and up to 21,000 American jobs at risk. Eliminating these added costs will have a positive impact on wind job and investment growth.

Additionally, an extension of the PTC/ITC could lead to an additional 20 GW of wind power development by 2029. This development would generate over $20 billion in new investment, create tens of thousands of jobs in wind development, operation and manufacturing, and support rural communities through tax and land lease payments.

Congress can unleash additional wind industry investment and employment by:

3. Lifting the Section 301 tariffs on List 3 for a number of wind energy-related product codes, and
4. Extending the PTC/ITC, which will help companies that are unable to start construction at the end of 2020 and beyond.

Additional Background

Supply chain delays: Wind project developers are receiving Force Majeure notices indicating turbine component deliveries may be delayed. These potential delays put projects at risk of not meeting their placed-in-service deadline, thus falling outside of the continuity safe harbor in IRS guidance and putting PTC eligibility at risk. This uncertainty jeopardizes project financing and increases costs. At this point, most project developers have received Force Majeure notices.

Construction timeline slippage: The industry expected to install a record volume of wind power capacity in 2020. Necessarily, construction timelines are tight. Component delivery delays will put pressure on construction timelines, resulting in further delays. Availability of construction crews and cranes will become a bottleneck under revised schedules, forcing projects beyond end of year delivery. Moreover, delays will snowball into 2021, 2022, and 2023 projects. Project developers and construction companies are working to limit impacts, but increasingly expect a significant number of projects to be impacted.

Financing uncertainty: Under IRS guidance, once construction has started under either the physical work standard or the 5% safe harbor option, continuous work or continuous efforts are required, respectively. If you place your project in service within 4 years of starting construction, the IRS deems your project to have met the continuity requirements ("continuity safe-harbor"). IRS guidance relating to the PTC does allow for excusable delays from the continuity requirements, but the burden of proof shifts to the taxpayer under a subjective 'facts and circumstances' test. In these circumstances, legal opinions on project eligibility for the PTC change from 'will qualify' to 'should qualify' or 'more likely than not to qualify' introducing significant risk as the PTCs are vital to project economics. This is having an immediate effect on construction financing, which is typically paired with a forward tax equity commitment, and puts monthly project funding at risk. Ultimately, tax equity investors may choose to abandon the deal or shift risk to project sponsors that may be unable to shoulder it alone, leading to project cancellations. Extending the continuity safe-harbor for two years eliminates these risks.

Tax equity investments are already being put on hold. For example, one project developer working on a wind project in Texas has reported their tax equity financing arrangement is on hold until further notice.

Availability of tax equity: The full economic impact of COVID-19 may also reduce the supply of available tax equity. One tax equity supplier has already exited the market as a result of the pandemic—others could follow or significantly scale back investing activity. Direct payment of the PTC effectively eliminates this risk.

Development delays: Project development activity will be negatively impacted as well. Projects across the country are experiencing permitting delays, public hearing cancelations, interconnect queue delays, land-lease negotiation delays, among others, that impede the ability of projects to move forward. For example, there are two projects in Ohio that have had all public hearings related to permitting canceled until further notice.

Workforce impacts: As with other industries, many companies in the wind energy industry have imposed travel restrictions, implemented telework and other measures to protect their employees. These measures, while responsible form a public health standpoint, will also contribute to development, manufacturing, construction and other delays.