To: 'Jim Massie[redacted]@massiepartners.com]
From: Streett, Mary[/o=MSXBP/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=[redacted]
Sent: Fri 01/12/2017 1:04:32 PM (UTC)
Subject: FW: Tax change would create havoc for renewable energy financing

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From: Hennen, Mark T.
Sent: Wednesday, November 29, 2017 7:54 PM
To: Streett, Mary; Guido, Robert
Cc: Ellis, Joe; Miner, Robert; Burgin, Nick
Subject: RE: Tax change would create havoc for renewable energy financing

Redacted - First Amendment

From: Streett, Mary
Sent: Wednesday, November 29, 2017 5:24 PM
To: Hennen, Mark T.; Guido, Robert
Cc: Ellis, Joe; Miner, Robert
Subject: FW: Tax change would create havoc for renewable energy financing

Redacted - First Amendment

From: POLITICO Pro [redacted]@politicopro.com]
Sent: Wednesday, November 29, 2017 6:10 PM
To: Streett, Mary
Subject: Tax change would create havoc for renewable energy financing

Tax change would create havoc for renewable energy financing

By Eric Wolff

11/29/2017 05:56 PM EDT

Renewable energy advocates are warning that money for wind and solar power projects could dry up if Congress doesn't alter language in the tax bill that's designed to prevent banks from moving their profits abroad.

Companies that develop wind and solar projects typically sell the federal tax incentives attached to their green energy projects to banks, who can use them to reduce their own tax burdens. Those "tax equity" deals provide the renewable energy developers with the cash they need to build their projects.

But provisions in the Senate tax bill would make it difficult for banks with overseas subsidiaries to buy the credits, which are also accrued by low-income housing and infrastructure projects.

"To me it feels like a drive-by shooting," said Mike Garland, CEO of wind developer Pattern Energy. "Clearly the provision is aimed at corporations who are sending work overseas, but the result is that the investment in U.S. activities is penalized."

Under measures in the tax proposal aimed at reducing "base erosion," Congress would create a kind of minimum tax on profits earned in the U.S. to prevent companies from shifting that income onto the books of their subsidiaries in countries with lower taxes. But the current language would require energy project developers and their bank partners to recalculate their tax credits every year — creating uncertainty that would push many of the financial institutions out of the tax equity business.

"It takes us out of the market," said a source at one bank that does this kind of financing. "The best case scenario is it significantly reduces our involvement in the market, but it would be so difficult to plan in the near term at least, it would take us out. And we're talking about hundreds of millions of dollars of investment every year."

Renewable energy developers don't have the large profits that banks tend to generate, so they don't pay enough taxes to benefit directly from the Investment Tax Credit for solar or the Production Tax Credit for wind that Congress created.

So they have relied on the tax equity financing to drive their rapid growth. In a blog post, Keith Martin, an attorney who is co-head of U.S. projects for Norton Rose Fulbright, said nearly half the financing for a typical solar project and more than half the money for a typical wind project comes from tax equity deals — and four financial institutions have already told him they would leave the market if the law is changed.

There are nearly three dozen financial institutions doing these kinds of deals presently, but about 40 percent of the total funding comes from just three of them: JPMorgan Chase, Bank of America and US Bank.

"Without tax equity financing, most of these projects don't go forward, solar or wind," said one renewables industry source who's lobbying on the issue.

The Senate bill has renewable energy industry groups up in arms. The Solar Energy Industries Association, the American Wind Energy Association, Citizens for Responsible Energy Solutions and the American Council on Renewable Energy sent a joint letter today to every senator asking for a fix. The lobbying source said the groups are pushing hard for changes, and they have several legislative proposals they hope to get attached to the bill during the vote-a-rama amendment process expected later this week. The person declined to describe the proposals because "things are at a delicate stage."

Financial institutions might be amenable to a provision that allowed banks to carry over unused tax credits to future years, according to the banking source. That would lower the returns on their investments, but it would keep them in the market.

Peter Kelley, vice president for public affairs for AWEA, said Sens. Rob Portman (R-Ohio), Chuck Grassley (R-Iowa), Maria Cantwell (D-Wash.) and Ron Wyden (D-Ore.) are "working to fix the problem before the bill is considered by the full Senate."

"We continue to advocate for a tax reform package that does not threaten the $85 billion in economic activity and the projected 50,000 new American jobs from wind farm development through 2020," he said in a statement.

Grassley, who is already playing defense to keep cuts to the wind tax credit included in the House bill out of the final bill, and a spokeswoman said, "Sen. Grassley is aware of the concerns raised and is looking into the issue."

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