



**Summary of Energy Efficiency Provisions and Funding Opportunities –
“American Recovery and Reinvestment Act of 2009”*
As of February 17, 2009**

Tax Incentives

Refundability: The act provides for “refundability” to alternative energy credits within sections 45 and 48 of the Internal Revenue Code (IRC) through a grant program administered by the Department of Treasury. These include both investment tax credits, such as those for CHP and microturbines, and production credits, such as that for biomass. Eligible CHP projects, which qualify for a 10% ITC, would need to begin construction during 2009 and 2010 and be completed by 2013. Grant applications will be processed by Treasury within 60 days.

Repeals Penalty for Financing Section 48 technologies (CHP, Fuel Cells, and Solar): The act enables businesses and individuals to qualify for the full amount of the applicable tax credit, even if projects are financed with local development bonds or other subsidized energy financing.

Manufacturing Investment Credit: Provides up to \$2 billion to fund a 30 percent investment tax credit for facilities engaged in the manufacture of advanced energy property. Projects must be certified by the Treasury, in consultation with the Secretary of Energy, through competitive bidding.

Bonus Depreciation: The act extends the bonus depreciation through 2010 and includes CHP, thereby allowing 50 percent of the depreciation value to be taken in the first year and the rest over the following four years.

Extension of Production Tax Credits: The act extends through 2013 the production tax credits for biomass, geothermal, hydropower, landfill gas, waste-to-energy, and marine facilities and other forms of renewable energy. Wind credits are extended through 2012.

Expansion of Investment Tax Credits: Allows developers of biomass, wind, geothermal, to claim a 30% investment tax credit, previously available only for solar and qualified fuel cell projects, instead of the production tax credit, which is tied to kWhs produced.

Remedy for AMT and R&D Credits in Lieu of Bonus Depreciation: Allows a taxpayer in a loss position to use the bonus depreciation.

AMT Exemption for Private Activity Bonds: For projects financed through private activity bonds, there is a five-year exemption of the AMT for interest paid on the bonds.

Grants, Loans, and Bonds

Energy Department Funding: The act provides a total of \$16.8 billion for Energy Efficiency and Renewable Energy, including \$2.5 Billion in research and development funding that includes \$800 million for biomass, and \$1.3 billion for “other” energy efficiency projects to be defined by DOE. The total also includes \$3.2 Billion for Energy Efficiency and Conservation block grants EECBG (Block Grants) and \$3.1 billion for State Energy Programs. The act also provides a total of \$4.5 billion for Electric Delivery and Energy Reliability to fund research, development, and deployment of smart grid modernization technologies.

Renewable Energy System Loan Program: The act amends an existing DOE loan program to enable developers of renewable energy systems and electric power transmission projects to obtain a direct loan through the Federal Financing Bank or to obtain a government backed loan guarantee if the developer chooses to use a private lender. The loan’s terms will be approximately 3 percent over 30 years for 80 percent of the project’s construction costs. To qualify, the project must begin construction by September 30, 2011. Loan authority is increased to approximately \$60 billion, and \$6 billion is provided to pay a loan’s upfront costs, including application fees, administrative costs, and the credit cost subsidy. Qualified systems include renewable energy systems that generate electricity or thermal energy, and facilities that manufacture related components, and electric power transmission systems, including upgrading and reconditioning projects. The program will be operational by July 1, 2009.

Clean Renewable Energy Bonds (CREBs): Provides \$1.6 billion for local governments and municipalities to finance facilities that generate electricity from renewable energy sources including wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities.

Qualified Energy Conservation Bonds: Authorizes \$2.4 billion in bonds to finance State, municipal and tribal government programs to reduce greenhouse gas emissions.

Electric Transmission Infrastructure: The act allows the Western Area Power and Bonneville Power Administrations to borrow funds (up to \$3.25 billion each) to construct or finance transmission lines. Directs the DOE to include analysis of renewable energy sources in its 2009 National Electric Transmission Congestion Study.

Green Collar Jobs: The act appropriates \$250 million for rehabilitation and construction projects on Job Corps Centers, including energy efficiency and renewable energy. The Secretary of Labor may transfer up to 15 percent of the funds to meet the operational needs of such centers, which may include training for careers in the energy efficiency, renewable energy, and environmental protection industries.

Smart Grid: The act provides 50 percent reimbursement (up to \$8 billion) to electric utilities that carry out smart grid demonstration projects. It also allows smart meters and smart grid equipment to be depreciated over five years.

Renewable Energy for Water Treatment Plants: The act appropriates \$2 billion grants to EPA's Drinking Water State Revolving Fund, of which 20% could be used for green infrastructure and/or energy efficiency projects.

Energy Efficiency - Federal Agencies

Interior Department Funding: The act appropriates \$135 million to the Bureau of Land Management for the management of lands and resources and suggests funds be used for renewable energy rights-of-way and related permitting projects. Additional funds are available for expedited processing of permits for renewable energy projects development.

Department of Defense Energy and Efficiency Programs: The act provides \$300 million to the DOD for the purpose of research, testing and evaluation of projects to energy generation, transmission and efficiency. The bill provides an additional \$100 million for Navy and Marine Corps facilities to fund energy efficiency and alternative energy projects.

Green Buildings on Federal Property: The Act includes \$5.5 billion to be deposited into the Federal Buildings Fund for expenditures to construct, repair and make alterations on federal buildings to increase energy efficiency, including installing solar energy equipment. \$4.5 billion is available for measures necessary to convert GSA facilities to high-performance green buildings. In addition, the act provides \$1 billion for non-recurring maintenance on Veterans Affairs facilities, including energy projects.

***Subject to revision as the act is further reviewed**