



10% Investment Tax Credit for Combined Heat and Power

USCHPA urges Congress to pass a 10% investment tax credit for qualified Combined Heat and Power (CHP) systems up to 50 MW. We are asking for your support of the 10% CHP ITC.

- Combined Heat and Power (CHP) systems maximize energy efficiency by locally generating electricity and utilizing waste heat that would otherwise be wasted. It is inherently more efficient than the separate generation of distant central station electricity and thermal energy.
- An investment tax credit (ITC) for CHP assets will encourage investments in energy efficiency, make U.S. industry more competitive and reduce CO₂ emissions.
- A 10% investment tax credit would make a crucial difference in the financial feasibility of investment in small distributed CHP systems.
- The CHP ITC will result in sizable energy savings, greenhouse gas reductions, job creation and technology innovation.
- Rep. Inslee and Rep. Terry in 2007 introduced a bi-partisan CHP ITC bill (HR 2001). That bill would add qualified CHP systems to the definition of energy property in Section 48(a)(3)(A). Qualified CHP systems must have an energy efficiency of over 60%, approximately twice as efficient as the electricity generated at central power plants and delivered over the transmission and distribution system.
- A version of the CHP ITC has been put forward as part of the energy tax package negotiations that omitted an exception to efficiency limits contained in the original legislation. This omission effectively (albeit inadvertently) disqualified several types of CHP applications from the CHP ITC. We urge Congress to correct this error to ensure all types of CHP qualify for the investment tax credit.
- In 2007 the Joint Committee on Taxation scored HR 2001's proposed 10% CHP ITC (effective in 2009) at only \$95 million.

A CHP ITC provides an approach that simultaneously meets energy policy, economic, and environmental goals. USCHPA requests your support and assistance in passing the CHP ITC.

The CHP investment tax credit legislation must include the following language to ensure all classes of CHP may qualify for the 10% tax credit.

(4) NONAPPLICATION OF CERTAIN RULES.—

For purposes of determining if the term ‘combined heat and power system property’ includes technologies which generate electricity or mechanical power using back-pressure steam turbines in place of existing pressure-reducing valves or which make use of waste heat from industrial processes such as by using organic rankine, stirling, or kalina heat engine systems, paragraph (1) shall be applied without regard to subparagraphs (C) and (D) thereof.

[Subparagraphs (C) and (D) referenced in this exception are as follows:

(C) which produces— “(i) at least 20 percent of its total useful energy in the form of thermal energy which is not used to produce electrical or mechanical power (or combination thereof), and “(ii) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or combination thereof),

(D) the energy efficiency percentage of which exceeds 60 percent.]