

June 18, 2009

The Honorable Max Baucus
Chairman
Senate Finance Committee
SD-219
Washington, D.C. 20510

The Honorable Charles E. Grassley
Ranking Member
Senate Finance Committee
SD-219
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

As Congress addresses energy and climate-change challenges, we encourage you to promote the efficiency generation of electricity and thermal energy by expanding the investment tax credits for combined heat and power (CHP) systems.

If Congress evaluates energy tax credits according to the amount of carbon reductions (or the cost of delivering clean power) per dollar of taxpayer benefit, CHP and recycled energy offer far more savings than any other alternative energy option. While CHP technologies have a long and successful operating record, new and innovative CHP technologies produce less emissions and more efficiency.

CHP currently obtains a 10-percent investment tax credit applied to the first 15 megawatts of a project up to 50 megawatts in size. These amount and size restraints are limiting the development of CHP and waste-energy-recovery projects. **We urge Congress to apply this 10-percent credit to the first 25 megawatts of a qualified project of unlimited size and to create a 30-percent credit to spur the deployment of highly efficient CHP.**

With such high-deployment policies, the Oak Ridge National Laboratory estimates CHP could provide 20 percent of U.S. generating capacity by 2030. Such policies also could generate \$234 billion in new investments and create nearly 1 million new highly-skilled, technical jobs throughout the U.S. CO₂ emissions could be reduced by more than 800 million metric tons per year, the equivalent of taking more than half the current passenger vehicles in the U.S. off the road.

CHP systems maximize energy efficiency by locally generating electricity and utilizing thermal energy that would otherwise be waste. They are inherently more efficient than the generation of power from central stations and the generation of heat from separate boilers.

Thank you very much for your consideration.

Sincerely,

U.S. Clean Heat & Power Association

American Council for an Energy-Efficient Environment

Electricity consumers Resource Council (ELCON)

Alliance to Save Energy

American Forest & Paper Association

American Chemistry Council