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Tax Incentives for Hydropower and Marine Energy

Support H.R. 4137 that provides a long-term extension of the production and investment tax credits.

Making the Case for Tax Incentives

Expanding hydropower production and manufacturing in the United States is among NHA's top priorities. The U.S. has long used targeted tax incentives to leverage investment and innovation in the energy sector. This is true for fossil and renewable resources alike. Hundreds of thousands of jobs and billions of dollars in private investment across the industries – not to mention gigawatts of affordable, reliable, and renewable power – have been driven by tax policies.

Currently, the tax production and investment tax credits (PTC and ITC) for hydropower and marine energy have lapsed, while the credits for other renewable resources, such as wind and solar – industries with which hydropower directly competes – enjoy long-term extensions. This disparity in treatment puts hydropower and marine energy development at a severe competitive economic disadvantage in the market for new renewable electricity generation, particularly in the eyes of investors who are seeking clarity and certainty.

Certainty in tax policy is needed to accommodate the longer development lead times for projects in the hydropower sector. Also, new facilities, in particular, are often highly capital intensive and tax credits are an important tool for attracting tax equity capital investment.

A Call to Action

NHA supports H.R. 4137, the Renewable Electricity Tax Credit Equalization Act, which extends the credits for hydropower and marine energy through 2020 (along with biomass, biogas, and waste-to-energy). We urge Members to co-sponsor this bill in the House and support introduction of a Senate companion bill.

Currently, Congress is picking winners and losers in the renewable energy sector. With the enactment of the FY 2016 Omnibus Appropriations bill, Congress adopted a five-year extension of the tax credits for both wind and solar. In this year's Bipartisan Budget Act of 2018, Congress once again acted to provide long-term certainty for the other Section 48 renewable energy technologies – fuel cells, combined heat and power, small

wind, and geothermal. Yet, the budget bill included only a one-year retroactive extension of the hydropower and marine energy tax credits through 2017, which provides no certainty for project developers seeking to finance their projects right now.

Now is the time for Congress to address this disparity for hydropower and marine energy and hydrokinetics.

Investment in hydropower is an investment in a critical piece of our nation's infrastructure. At a time when the country is seeking ways to strengthen grid reliability and resiliency, why would Congress seek to disadvantage a premier flexible renewable baseload technology like hydropower? This fundamentally misses hydropower's role, and the benefits it brings, to our nation's electricity grid. If Congress' goal is an all-of-the-above energy policy, allowing the continued expiration of our tax incentives with intermittent, sometimes retroactive, extensions fails to advance it.

Hydropower has significant new growth potential. For example, only 3 percent of the nation's existing dams have power generating facilities. There are also re-investment opportunities at existing hydropower projects to add capacity or increase efficiency. However, inaction on the policies to support the industry make it more difficult to bring new hydropower generation online and create the good-paying jobs and local economic opportunities that come with it.

We strongly urge immediate action on the incentives that have played a critical role in increasing our industry's contribution to our national energy portfolio. NHA supports an all-of-the-above energy tax policy, and Congress must fix the inequities under current policies that are preventing the hydropower and marine energy industries from realizing their full potential.

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601 New Jersey Avenue, N.W. · Suite 660 · Washington, D.C., 20001-202.682.1700 · www.hydro.org

