

## Why extend the Production Tax Credit?

The Production Tax Credit (PTC) is a proven job creator that is essential to the growth of the American wind industry. We need to take action now to extend the Production Tax Credit, save jobs, and compete in the global clean energy economy.

The **Production Tax Credit** is a 2.2 cent per kilowatt tax credit for the production of electricity from utility scale wind turbines for the first ten years of production. Established under the Energy Policy Act of 1992 and renewed several times, the credit is set to expire in December 2012.

### How does it work?

Any tax paying entity that owns wind turbines and sells the generated electricity to an unrelated third party is eligible for the PTC, based on the amount of electrical output. To qualify for the tax credit, the wind turbines must be located in the United States and be in service by January 1, 2013.<sup>1</sup>

### The Wind Industry Creates and Supports Good, Clean American Jobs

#### The wind industry supports thousands of jobs throughout the entire United States

The wind industry employed 75,000 people in 2010 in direct and indirect positions, with “20,000 positions in wind-related manufacturing across 400 manufacturing facilities making wind turbine components.” Furthermore, “employment in permanent operations and maintenance jobs expanded during the year to help run the nation’s expanding wind power fleet.”<sup>2</sup>

#### Domestic content in wind turbines has been steadily climbing, supporting an increasing number of jobs in the U.S. supply chain.

“Since 2005, the domestic content in American wind turbines has grown 12-fold from less than 25 percent domestic content to 60 percent,”<sup>3</sup> and it has the potential to be much more.

### The Production Tax Credit Needs a Long-Term Extension to Protect Jobs and Grow the Industry

The Production Tax Credit has played a significant role in the development of an American wind industry that employs thousands of workers. When the credit is consistently available for a period of several years, the industry sees considerable growth. However, when the credit is allowed to expire the industry declines and workers are laid off. With worldwide investments in renewable energies reaching \$260 billion in 2011,<sup>4</sup> the United States must extend the Production Tax Credit to capture the strength and potential of this emerging global market.

#### Failure to extend the Production Tax Credit will cost thousands of jobs.

Annual wind installations will drop from more than 8 gigawatt (GW) in 2012 to 2 GW in 2013, jobs supported by wind “will drop by nearly half, from 78,000 in 2012 to 41,000 in 2013, [and] total wind investment will drop by nearly two-thirds, from \$15.6 billion in 2012 to \$5.5 billion in 2013.”<sup>5</sup>

#### The Production Tax Credit creates and saves good, clean economy jobs.

Extending the Production Tax Credit through 2016 would increase total wind-supported jobs to 95,000, while total wind investment would grow to \$16.3 billion.<sup>6</sup>

#### Extending the Production Tax Credit will help grow the economy.

A 4-year extension of the Production Tax Credit “would likely spur \$28 billion more in economic activity” between 2011 and 2016, and would yield to U.S. taxpayers an 87 percent return on investment.

### Extension of the Production Tax Credit would offset millions of tons of CO<sub>2</sub> emissions.

With a 4-year Production Tax Credit extension, 49 GWs of new wind would be installed by 2016, over 20 GWs more than would be installed without an extension, bringing total offset CO<sub>2</sub> emissions to 490 million tons.<sup>7</sup>

### Short-term extensions of the Production Tax Credit create a “boom-bust cycle of development” which harms industry growth.<sup>8</sup>

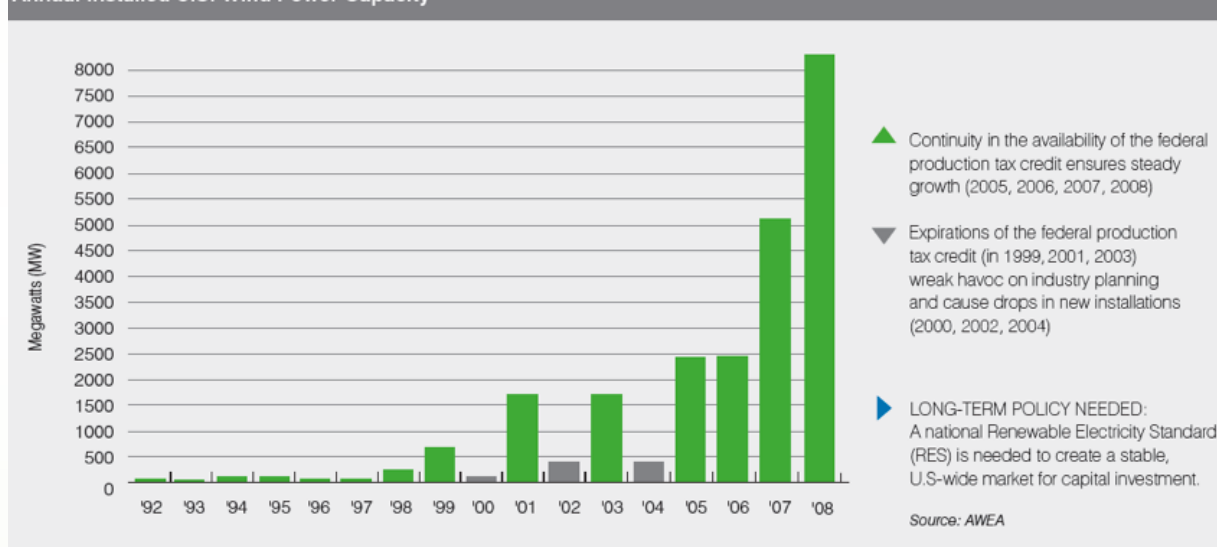
When the Production Tax Credit lapsed in 2000, 2002, and 2004 before being subsequently extended, wind development activity was “substantially” dampened, and as such, “growing demand for wind power has been

compressed into tight and frenzied windows of development.”<sup>9</sup> However, the market certainty provided by the consistent availability of the tax credit promotes considerable growth.

### The market uncertainty created by the short-term Production Tax Credit extension slows development and raises wind supply costs.

United States suppliers may hesitate to engage the wind sector, creating a greater reliance on foreign manufacturers as well as reducing private research and development expenditures which are unlikely to pay off within a 1-2 year tax credit cycle.<sup>10</sup>

Annual Installed U.S. Wind Power Capacity



### Endnotes

1 Bottom Line on Renewable Energy Tax Credits,” World Resources Institute, October 2010, <http://www.wri.org/publication/bottom-line-series-renewable-energy-tax-credits> (accessed January 23, 2012).

2 “U.S. Wind Industry Annual Market Report: Year Ending 2010,” AWEA, 2011.

3 “Wind Power: Economic Growth for Rural America,” AWEA, March 2009, [http://www.awea.org/learnabout/publications/factsheets/upload/Rural-Development\\_AWEAFactsheet\\_11-2011.pdf](http://www.awea.org/learnabout/publications/factsheets/upload/Rural-Development_AWEAFactsheet_11-2011.pdf) (accessed January 19, 2012).

4 “US regains lead in clean energy investment,” Financial Times, January 12, 2012.

5 “Impact of the Production Tax Credit on the U.S. Wind Market,” Navigant Consulting, Inc., December 12, 2011, <http://www.awea.org/learnabout/publications/reports/upload/AWEA-PTC-study-121211-2pm.pdf> (accessed January 20, 2012).

6 “Impact of the Production Tax Credit on the U.S. Wind Market.”

7 “Impact of the Production Tax Credit on the U.S. Wind Market.”

8 “Production Tax Credit for Renewable Energy,” Union of Concerned Scientists, September 13, 2011, [http://www.ucsusa.org/clean\\_energy/solutions/big\\_picture\\_solutions/production-tax-credit-for.html](http://www.ucsusa.org/clean_energy/solutions/big_picture_solutions/production-tax-credit-for.html) (accessed January 19, 2012).

9 “Using the Federal Production Tax Credit to Build a Durable Market for Wind Power in the United States,” Lawrence Berkeley National Laboratory, November 2007, <http://eetd.lbl.gov/ea/emp/reports/63583.pdf> (accessed January 19, 2012).

10 “Using the Federal Production Tax Credit to Build a Durable Market for Wind Power in the United States.”



The BlueGreen Alliance is a national, strategic partnership between labor unions and environmental organizations dedicated to expanding the number and quality of jobs in the green economy.

[www.bluegreenalliance.org](http://www.bluegreenalliance.org)

On Twitter @bgalliance and Facebook at [www.Facebook.com/BlueGreenAlliance](http://www.Facebook.com/BlueGreenAlliance)