

# Congress of the United States

Washington, DC 20515

April 6, 2012

The Honorable John Boehner  
1011 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Fred Upton  
2183 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Cliff Stearns  
2306 Rayburn House Office Building  
Washington, D.C. 20515

Dear Speaker Boehner, Chairman Upton, and Chairman Stearns,

As you may have already seen, the Department of Energy today released a comprehensive study conducted by the National Renewable Energy Laboratory (NREL) analyzing the impact of the Section 1603 Renewable Energy Grant Program (Section 1603 Program) in terms of leveraging investment, creating jobs, and deploying American-made energy. The study found that the program was outrageously successful in all three categories. I hope that you take the time to review this report, as it responds directly to the concerns you have voiced recently regarding the need for evidence to understand the true impacts of this program.

Today's NREL report is by far the most rigorous analysis conducted on the Section 1603 Program to date, and its job findings are consistent with previous studies published by both peer-reviewed journals<sup>1</sup> and industry.<sup>2</sup> Upwards of 66,000 manufacturing and other supply-chain jobs were supported through the program. Another 9,400 jobs were created in the design, development, construction, and installation of these energy projects. More than 5,000 additional operation and maintenance workers will be employed keeping these projects running over the next 20 to 30 years. The \$26 billion to \$44 billion in total economic output generated by these projects between 2009 and 2011 created roughly 54,000 additional induced jobs throughout the economy as well.

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<sup>1</sup> Bolinger, M.; Wiser, R.; Darghouth, N. "Preliminary Evaluation of the Section 1603 Treasury Grant Program for Renewable Power Projects in the United States." *Energy Pol.*; Vol. 38, 2010; pp. 6804–6819.

<sup>2</sup> EuPD Research, prepared for SEIA. "Economic Impact of Extending the Section 1603 Treasury Program," 2011. [http://www.novoco.com/energy/resource\\_files/reports/seia\\_economic-impact-extending-section-1603\\_101211.pdf](http://www.novoco.com/energy/resource_files/reports/seia_economic-impact-extending-section-1603_101211.pdf). Accessed March 28, 2012.

The positive impacts of the Section 1603 program extend beyond just jobs. According to the report, through November 10, 2011, the Section 1603 Program provided \$9 billion in funds to over 23,000 solar and wind projects across the United States, which total 13,500 megawatts of electric generating capacity. This huge amount of domestic clean energy deployment dwarfs the amount of coal-fired electrical capacity brought online during that period. The \$9 billion in federal investments pulled an additional \$21 billion in investments off the sidelines from private, regional, and state sources. Supporting American clean energy businesses puts power in our homes and will make America an energy and manufacturing powerhouse for decades to come.

The bang for each taxpayer buck supporting the Section 1603 Program is far greater than the benefits taxpayers receive from subsidizing highly profitable oil and gas companies. For example, the most recent tax subsidy that was given to the oil and gas industry in 2005—the deduction for “geological and geophysical expenditures”—allows companies to deduct the costs associated with searching for oil over two years rather than seven years, which costs U.S. taxpayers \$1.4 billion over 10 years. Other subsidies for the oil and gas industry—like the deduction for “intangible drilling costs”—are far more costly and have been around far longer. That tax break, which was instituted back in 1916, allows oil companies to write off certain costs immediately rather than over the life of the asset, as is customary for most companies. Since 1968, it has cost U.S. taxpayer \$78 billion.

There can be no credible argument that these subsidies are needed when oil prices are at \$100 or more. President George W. Bush understood this back in 2005 when prices were half the levels of today. He said, “With \$55 oil, we don’t need incentives to oil and gas companies to explore. There are plenty of incentives.” Last year, the former CEO of Shell Oil, John Hofmeister similarly said, “In the face of sustained high oil prices it was not an issue—for large companies—of needing the subsidies to entice us into looking for and producing more oil.”<sup>3</sup>

Many Republicans in Congress have been vocal supporters for continuing wasteful oil company subsidies, while at the same time pushing to *raise* taxes on wind energy. If that were to happen, upwards of 37,000 clean energy jobs would be eliminated around the country. That’s why the National Governors Association weighed in earlier this week, requesting in a letter to House and Senate leadership that renewable energy tax credits be extended for at least four years. The letter states: “Creating jobs and securing our energy future must be a priority at both state and federal levels. We strongly urge you to partner with states to support these industries as they continue to develop by passing legislation on a bipartisan basis to extend expiring renewable energy production and investment tax credits.”

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<sup>3</sup> <http://www.nationaljournal.com/daily/ex-shell-ceo-says-big-oil-can-live-without-subsidies-20110211>

The nation's financial situation requires that Congress make tough choices with regard to programs that support energy. Programs that enhance consumers' energy choices, reduce pollution harmful to the environment and human health, create jobs, and support long-term energy security and economic growth must be our top priorities. Our tax code must be brought into the 21<sup>st</sup> Century to reflect these priorities as well. President Obama's budget proposes extending the Section 1603 program and underlying tax credits while ending \$27 billion in wasteful subsidies to the oil industry. After reviewing the economic evidence put forth in the NREL report regarding the Section 1603 Program, I hope you will join me in supporting revisions to the tax code that level the playing field for clean energy and better reflect America's long-term economic and energy priorities.

Sincerely,



Edward J. Markey  
Member of Congress