

Energy Provisions Prominent in House Stimulus Legislation

After weeks of speculation and consideration, the much anticipated economic stimulus legislation was unveiled and introduced on January 15th in the House of Representatives. The House Appropriations and Ways and Means Committees released documents outlining the scope and cost of the “American Recovery and Reinvestment Act.” The House proposal is responsive to the outline of the Obama-Biden stimulus program, forged, discussed and released over the past several weeks and available on the *change.gov* website.

SUMMARY

The projected cost for the American Recovery and Reinvestment Act currently stands at \$825 billion. This is broken down between the two House Committees as \$550 billion in spending and \$275 billion in tax cuts. The spending is tied to a “use it or lose it clause”, meaning that a grant recipient must enter into a contract or other binding commitment to use 50% of the awarded funding no later than 1 year after enactment or 9 months from the date the grant is awarded. Further, contracts must be entered to use the remaining funding no later than 2 years from the date of enactment or 21 months from the date of the award. Failure to meet these requirements will result in redistribution of the funds.

Significant energy tax incentives were included as well as provisions targeted at financial institutions and home owners. Among the tax incentives is a three year extension of renewable energy production tax credits”, additional authorization for Clean Renewable Energy Bonds (CREBS), tax credits for energy-efficient improvements to existing homes, tax credits for alternative fuel pumps and enhanced research and development credits.

The bill contains a number of provisions that ensure transparency, oversight and accountability. It charges the President with the creation of a special website listing details of all awards and allocations and the identities of the responsible program managers. Governors and mayors must also personally certify that any use of funding has been vetted and is an appropriate use of taxpayer dollars.

NEXT STEPS

Both Committees will hold public sessions to debate, amend and finalize their bills soon, perhaps as early as next week. The Senate has not released its proposal yet, and in all likelihood it will differ from the House legislation. The Senate Finance Committee is working out the details of its version of the tax package, reportedly with some coordination with the House Ways and Means Committee. The Senate Appropriations Committee is also drafting a companion to the House non-tax spending proposals. The stated goal of both the House and Senate is to have the bill ready for the President’s signature before the President’s Day recess (February 16, 2009). In order to meet this target, the House would mark up its bill in the two committees next week and take the combined bills to the floor of the House the following week. The Senate would then complete action on its legislation and the House and Senate would conference the bill during the first week of February. The conference report would return to the floor of both Houses of Congress in the second week of February, and, upon passage, be presented to the President.

The energy provisions in the Appropriations package and the energy credits in the tax summary are as follows:

Energy Projects With Appropriated Funds

Energy Efficiency and Renewable Energy

- Weatherization: \$6.2 billion to weatherize low-income homes.
- Energy Efficiency and Renewable Energy Research: \$2 billion for research, development, and demonstration activities.
- Smart Appliances: \$300 million for consumer rebates for purchasing Energy Star appliances to replace old appliances through the Building Technologies Program.
- Alternative Buses and Trucks: \$400 million to help state and local governments purchase alternative fuel vehicles.
- Electric Transportation: \$200 million to establish a grant program to encourage electric vehicle technologies through the Vehicles Technologies Program.
- Industrial Energy Efficiency: \$500 million for energy efficient manufacturing demonstration projects.
- Energy Efficiency Block Grants for Local Government: \$6.9 billion for a competitive grant program to assist local and state governments to develop and implement energy efficient strategies.

Loan Guarantees

- Renewable Energy Loan Guarantees: \$8 billion for renewable energy power generation and transmission projects.
- Advanced Battery Loans and Grants: \$2 billion for advanced vehicle batteries and battery systems.
- Energy Efficiency Grants and Loans for Institutions: \$1.5 billion for school districts, local governments, and municipal utilities.

Fossil Energy

- Fossil Energy: \$2.4 billion for carbon capture and demonstration projects.

Science

- \$1.9 billion for basic science research. \$400 million is directed for the program known as the Advanced Research Projects Agency—Energy (ARPA-E).

Environmental Management

- \$500 million for nuclear waste cleanup sites.
- \$200 million for leaking underground storage tanks.



Electricity Delivery and Energy Reliability

- \$11 billion for research and development for Smart Grid Investment Program.

Other Funding for Programs of Note Include:

- Diesel Emissions Reductions: \$300 million.
- \$16 billion for public housing retrofits. \$2.5 billion specifically for HUD.
- \$350 million for research into renewable energy research to power weapons systems and military bases.

Tax Credits

- Three year extension of renewable energy production tax credit
- Temporary election to claim the 30% investment tax credit in lieu of the production tax credit
- Coordination provisions with new grant program for renewable energy projects being designed by the Energy and Commerce Committee (sections 45 and 48 projects)
- Authorizes additional \$1.6 billion for Clean Renewable Energy Bonds (CREBs)
- Authorizes \$2.4 billion for Qualified Energy Conservation Bonds
- Energy efficiency and conservation tax incentives under sections 25C, 25D and 48
- Smart energy conservation, energy efficiency, and renewable energy R&D credit
- Increases the existing 30% Refueling property credit to 50%, capped at \$50,000

FOR ADDITIONAL INFORMATION

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