



The Stella Group, Ltd.

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Presentation by Scott Sklar, President, The Stella Group, Ltd.

EESI Energy Budget Presentation

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The Stella Group, Ltd. is a strategic marketing and policy firm for clean distributed energy users and companies which include advanced batteries and controls, combined heat and power, energy efficiency, fuel cells, geo-exchange heat pumps, heat engines, minigeneration (natural gas), microhydropower, modular biomass, photovoltaics, small wind, and solar thermal (including daylighting, water heating, industrial preheat, building air-conditioning, and electric power generation). The Stella Group, Ltd. blends distributed energy technologies, aggregates financing (including leasing), with a focus on system standardization. Scott Sklar serves as Steering Committee Chair of the Sustainable Energy Coalition, composed of the renewable energy and energy efficiency trade associations and analytical groups, and sits on the national Boards of Directors of the non-profit Business Council for Sustainable Energy, Renewable Energy Policy Project, and Chairs the Policy Committee of the Sustainable Buildings Industry Council.

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**Department of Energy: Energy Efficiency & Renewable Energy
(\$ million)**

<u>Program</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Biomass & Biorefinery	\$ 89.8	\$199.7	\$198.2	\$225.0
Geothermal Technology	\$ 22.8	\$ 5.0	\$ 19.8	\$ 30.0
Solar Energy	\$ 81.8	\$159.4	\$168.5	\$156.1
Water Power	\$ 0.5	\$ 0.0	\$ 9.9	\$ 3.0
Wind Energy	\$ 38.3	\$ 49.3	\$ 49.5	\$ 52.5

Crosscutting RD&D programs:

Hydrogen Technologies	\$153.5	\$193.6	\$211.1	\$146.21
Federal Energy Management	\$ 19.0	\$ 19.5	\$ 19.8	\$ 22.00
Office of Electricity & Energy Reliability	\$158.2	\$137.0	\$138.7	\$134.00
Renewable Energy Prod Inc	\$ 4.92	\$4.95	\$ 4.95	\$ 0

* compiled in part by Ken Bossong, Sustainable Energy Coalition 2\08

WINNERS and LOSERS in the USDOE BUDGET

The President's FY 09 budget request for DOE's EE/RE programs is **\$1.26 billion** (five percent of the DOE budget) --**essentially flat with the FY 08 budget request and 27 percent below FY 08 appropriations.**

Nuclear energy received a **\$385.5 million increase** (**37 percent** increase from FY 08 appropriations)

Fossil energy received a **\$222.7 million increase** (**25 percent increase** over FY 08 appropriations).

Conclusion: US energy policy is to subsidize mature technologies by mature companies in mature markets.

WHAT'S THE SCORE ?

- **6.9 million cut** in the Hydropower Program (**70% cut** from FY 08 appropriations)
- **\$4.9 million cut** in Tribal Energy Activities (**83% cut** from FY 08 appropriations)
- **\$12.3 million cut** in the Solar Energy Program (**7% cut** from FY 08 appropriations)
- **\$26.8 million increase** in Biomass and Biorefinery Systems R&D (**13% increase** from FY 08 appropriations)
- **\$ 14.8 million increase** in Building Technologies (**13% increase** from FY 08 appropriations)
- **\$ 10.2 million increase** in Geothermal Technology (**51% increase** from FY 08 appropriations)

TRADE ASSOCIATION RESPONSES -

The National Hydropower Association expresses its strong disappointment over the significant funding cut proposed for the U.S Department of Energy (DOE) research and development program that supports conventional hydropower and new ocean, tidal, and instream hydrokinetic resources. DOE requested only \$3 million dollars for the FY 2009 program – a whopping 70% cut from the \$10 million appropriated by Congress for FY 2008.

“New reports demonstrate that hydropower and new waterpower technologies could offer Americans 95,000 megawatts of clean, climate-friendly electricity as well as jobs and investments that support local communities. We need federal R&D support to make this potential a reality, to conduct more detailed resource assessments and technical feasibility studies, and to gather environmental impact data,”

STATEMENT BY SEIA ON DOE 2009 BUDGET "We are disappointed that the President decided to cut funding for solar energy to \$156 million. By cutting the solar program budget by \$14 million, the Administration will do irreparable harm to the Solar Initiative. We will work with Congress to ensure that the solar program receives \$300 million to support the rapid development and deployment of new photovoltaic, concentrating solar and solar water heating technologies. The public will be disappointed to learn that DOE is spending their hard-earned tax dollars to support some of the same industries that are currently enjoying record profits rather than scaling up renewable energy sources like solar. Not to mention that solar and other renewable energy sources are demonstrated economic engines for the U.S. economy, fueling substantial increases in jobs and commercial investments."

EPACT 2005 TAX

EPACT 2005 added new and expanded tax credits that was signed into law.

Increased the existing 10% tax credit for commercial solar installations to 30% for two years; no cap on amount of credit; applies to all property placed in service after December 31, 2005 and before January 1, 2008; credit reverts to the permanent 10% credit thereafter + solar energy systems and fuel cell power plants for businesses receive a 30% business tax credit (until 12/31/08) and micro turbines for businesses will receive a 10% business tax credit, also until 12/31/08.

Created a new 30% tax credit for residential solar installations for two years; capped at \$2000; applied to all property placed in service after December 31, 2005 and before January 1, 2008

There are some other provisions in the final bill that benefits solar, including federal loan guarantees for large-scale “innovative technologies,” government solar purchase authorizations, and some other items, such as federal bonds (\$900 million) for public purposes.

SUBSIDIES

Compiled by US General Accounting Office September 25, 2000
to The Honorable Tom Harkin Ranking Minority Member: Tax
Incentives for Petroleum and Ethanol Fuels: Estimates of Revenue
Losses Over Time Dollars in millions Tax incentive Summed over
years Adjusted to year 2000 dollars Petroleum industry Excess of
percentage over cost depletion a 1968-2000 \$81,679-\$82,085
billion. Expensing of exploration and development costs a 1968-
2000 \$42,855-54,580 billion. Alternative (nonconventional) fuel
production credit 1980-2000 \$8,411-10,542 billion. Oil and gas
exception from passive loss limitation 1988-2000 \$1,065 billion.
Credit for enhanced oil recovery costs 1994-2000 \$482-1,002
billion. Expensing of tertiary injectants 1980-2000 \$330 million.

Andthe range of renewable and efficiency technologies that were left out of EPACK05 (or not treated seriously) and all face being disregarded again —

- combined heat and power
- ground coupled heat pumps
- small wind
- solar daylighting
- water energy (such as freeflow hydropower, tidal, wave and ocean currents and thermal).

AND more conventional subsidies ..

The Energy information Administration (EIA) issued a report in 1999, where, in summary form, federal FY 1999 subsidies as

federal support for all primary energy are nicely listed at: (http://www.eia.doe.gov/oiaf/servicerpt/subsidy/table_es1.html)

But the 2005 Energy Bill (EPACT05) is the most illustrative. The Joint Committee on Taxation advises Congress the extent of subsidies they passed in a report dated July 27, 2005 (<http://www.house.gov/jct/x-59-05.pdf>) - and the Cliff Notes version of the \$11.525 billion of energy subsidies: \$2.822 billion went to the oil and gas industries. Of the \$5.06 billion that went to the electric utility industries an additional \$1.14 billion went to nuclear decommissioning and an additional 278 million went to 'new' nuclear facilities, and 1.612 billion went to clean coal.

Now energy efficiency received \$1.284 billion, and \$2,747 went to extend the renewable energy tax credits for 2 years.

My annotated list of tax subsidies I regularly handout to policymakers are:

Oil Royalties on Federal Lands (May 1 1998), High Bill: "Royalty In-Kind" fee rather than "World Price" fee causes US Treasury to lose \$330 million per year and \$1.65 billion over 5 years (How an Oil Industry favor Wound Up in a Tornado bill. The Washington post. (Juliet Eilperin) May 2, 1998 Page A6.)

\$10 Billion in Subsidies that Fuel Global Warming (November 1997) Mining Reclamation deduction \$500 million/year Percentage depletion on oil, natural gas and coal (Cut \$10 Billion in Subsidies that Fuel Global Warming to Fund Energy Alternatives and Economic Solutions. Friends of the Earth. November 1997. 12 pages.)

\$880 million/year on Capital Gains and Treatment on Coal Royalties, and Oil Imports, Taxpayer Subsidies and the Petroleum Industry (May 1995) Independent Oil and Gas Producer Exemption from Alternative Minimum Tax (AMT) plus 58% of all federal subsidies (\$21.1 billion directly promote fossil fuels of which \$7.7 billion are tax benefits (Oil Imports, Taxpayer Subsidies and The Petroleum Industry. Citizen Action (Ed Rothchild) May 1995. 20 pages.)

Federal Energy Subsidies (April 1993) 1989 dollars per year (low estimates) Tax Exempt Bonds for public power \$1.14 billion and Tax Exclusion for electric coops \$403 million, Percentage Depletion: Oil & Gas \$390 million, Gas and Oil Exemption: passive loss restrictions \$135 million (Federal Energy Subsidies: Energy, Environmental and Fiscal Impacts. Alliance to Save Energy. (Douglas Koplow) April 1993. 91 pages)

Federal Energy Subsidies (November 1992) Revenue Loss by Type: FY'92 Tax Deferrals: \$100 million (\$20 million for expensing), Tertiary injectants and \$80 million in working Interest in oil and gas properties). Income Reducing Measures \$870 million (\$745 million in excess percentage over cost depletion exclusion and \$125 million on interest waiver on state and local bonds relating to energy) (Federal Energy Subsidies: Direct and Indirect interventions in Energy Markets. Energy Information Administration. Report # S R/EMEU/92-02)

WHAT CLEAN ENERGY NEEDS

1. Eight year extension of the existing Investment Tax Credit (ITC) for solar and fuel cells, and enhancing this credit for CHP, geoexchange, small wind, solar daylighting and water energy

Note: Solar residential ITC cap to \$4,000

2. Two year extension (minimum) of the existing Production tax Credit (PTC) for wind and biomass power (closed loop) and lesser for open loop (non-dedicated)