

Administration pledges US\$3 billion for renewable energy

WASHINGTON: The U.S. Department of the Treasury and the U.S. Department of Energy are making available an estimated US\$3 billion for the development of renewable energy projects around the country.

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Funded through the American Recovery and Reinvestment Act (Recovery Act), the program will provide direct payments in lieu of tax credits in support of an estimated 5,000 bio-mass, solar, wind, and other types of renewable energy production facilities.

"The renewable energy program provides another important avenue for the Recovery Act to contribute to economic development in communities around the country," said Treasury Secretary Tim Geithner. "It will provide additional stimulus to economies in urban and rural America by helping to develop domestic sources of clean energy. This partnership between Treasury and Energy will enable both large companies and small businesses to invest in our long-term energy needs, protect our environment and revitalize our nation's economy."

The Recovery Act authorized Treasury to make direct payments to companies that create and place in service renewable energy facilities beginning Jan. 1, 2009. Previously, these companies could file for a tax credit to cover a portion of the renewable energy project's cost; under the new program, applicants would agree to forgo tax credits down the line in favor of an immediate reimbursement of a portion of the property expense. The new direct payment program allows for an immediate stimulus in local economies.

Energy Secretary Steven Chu said, "These payments will help spur major private sector investments in clean energy and create new jobs for America's workers. It is part of our broad effort to double our renewable energy capacity in the next few years and make sure that America leads the world in creating the new clean energy economy of the future."

In previous years, the tax credit has been widely used and the government considers it a successful incentive for encouraging the development of renewable energy. In 2006, approximately US\$550 million in tax credits were provided to 450 businesses. The rate of new renewable energy installations has fallen since the economic and financial downturns began, as projects had a harder time obtaining financing. The Departments of Treasury and Energy expect a fast acceleration of businesses applying for the energy funds in lieu of the tax credit.