

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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January 30, 2013

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Upton:

We are writing to express our concerns about the staff report you released this month regarding the section 1603 Treasury grants program.¹ The report ignores the important role the program has played in creating clean energy jobs in the U.S., boosting domestic manufacturing, and doubling renewable electricity generation.

The section 1603 Treasury grants program was created in 2009, when the financial crisis threatened the viability of the nascent renewable energy industry. The Recovery Act program allowed renewable energy developers to continue to utilize the production tax credit and investment tax credit during the period when the tax equity market was not functioning properly. The program provided developers the option of receiving a one-time, upfront cash grant instead of claiming the production or investment tax credit.

This was not a program where the government decided which companies should receive a grant. Any developer who met the basic criteria of investing in renewable energy generation and began construction by the end of 2011 was eligible. According to the Department of Treasury, as of July 2012, the program had leveraged over \$43 billion in total investment to support over 45,000 projects in all 50 states.²

¹ *American Taxpayer Investment, Foreign Corporation Benefit*, U.S. House of Representatives, Committee on Energy and Commerce, Majority Staff (Jan. 17, 2013).

² U.S. Department of Treasury, *Overview and Status Update of the §1603 Program* (July 20, 2012) (<http://www.treasury.gov/initiatives/recovery/Documents/STATUS%20OVERVIEW.pdf>).

The primary allegation in the report you released is that one-quarter of the funding from the Treasury grant program went to projects developed by U.S. subsidiaries of companies headquartered overseas. We are surprised by this criticism. You have raised no concerns about the extent to which foreign oil companies like Shell and BP benefit from other U.S. tax subsidies.

The grants program provided both U.S. and foreign companies an incentive to invest billions of dollars in energy and manufacturing infrastructure in the United States. We support these investments, which have created tens of thousands of U.S. jobs. To take one example, many of the 470 wind turbine manufacturing facilities located in the United States were built by U.S. subsidiaries of companies headquartered overseas. One Danish company, Vestas, opened a blade production plant and a research and development center in Colorado in 2010 and another blade manufacturing plant in Colorado in 2012.³ Over 1,000 Americans work at these facilities. We should be supporting investments like these that support American renewable energy projects, create American jobs, and generate American clean energy.

The report implies that grants that went to foreign-owned companies do not provide jobs for U.S. workers. That is incorrect. Your report notes that Iberdrola Renewables, LLC, the largest recipient of funding from the program, has a parent company headquartered in Spain. However, Iberdrola Renewables is an American company incorporated in Oregon with 850 full-time employees. According to the company, nearly all of those employees are Americans.⁴

Other claims in your report are also problematic. The report asserts that the Treasury grant program has spent nearly \$16 billion to create just over 5,000 jobs. That is misleading. The figure of 5,000 jobs used in your report comes from a National Renewable Energy Laboratory (NREL) study.⁵ NREL calculated that the wind and solar projects that received grants would support between 5,100 and 5,500 jobs each year for the operation and maintenance of the renewable energy facilities. However, those are just a small portion of the total jobs created by the program. NREL estimated that the construction, installation, and manufacturing associated with section 1603 projects supported between 52,000 and 75,000 jobs per year. By cherry-picking just the operation and maintenance jobs numbers, your staff's report ignored the vast majority of U.S. jobs supported by the program.

³ Congressional Research Service, *U.S. Wind Turbine Manufacturing: Federal Support for an Emerging Industry* (Dec. 18, 2012).

⁴ Iberdrola Renewables, LLC., *Business Overview* (<http://www.iberdrolarenewables.us/business-overview.html>).

⁵ National Renewable Energy Laboratory, *Preliminary Analysis of the Jobs and Economic Impacts of Renewable Energy Projects Supported by the §1603 Treasury Grant Program* (Apr. 2012).

Your report's approach to calculating the jobs associated with clean energy projects differs significantly from the approach you have used to calculate the jobs that result from fossil fuel projects. Applying the approach used in your report of counting only permanent operation and maintenance jobs, the Keystone XL pipeline to transport tar sands oil through the United States would create just 20 jobs.⁶ But you and other Republican leaders have repeatedly claimed that the Keystone XL pipeline would create over 100,000 jobs.⁷ That estimate includes not only construction and manufacturing jobs, but even "spin-off" jobs assumed to be created by spending associated with the project, such as manicurists, librarians, and bartenders.⁸

During the three years the grant program was in effect, almost 22,000 megawatts of wind capacity were installed in the United States, nearly half of our country's utility-scale wind generation capacity. Doubling wind generation in three years is a remarkable accomplishment. Both 2010 and 2011 were record years for solar power installation with nearly 900 megawatts of new solar capacity added in 2010 and an estimated 1,700 megawatts of new solar capacity in 2011. Your staff report does not mention these gains.

Your report misrepresents the results of a successful Recovery Act program. It attacks companies that have utilized the program to employ American workers and build clean renewable energy generation in the United States. And it offers no solutions or ideas for boosting clean energy generation, expanding clean energy exports, or creating clean energy jobs.

⁶ See U.S. Department of State, *Final Environmental Impact Statement for the Proposed Keystone XL Project*, 3.10-80 (Aug. 26, 2011) (finding that the project would create 20 permanent jobs).

⁷ See, e.g., *Speaker Boehner Highlights House Action on Small Business Tax Cut Act, Keystone Pipeline Approval* (Apr. 17, 2012) (press release) (<http://www.speaker.gov/press-release/speaker-boehner-highlights-house-action-small-business-tax-cut-act-keystone-pipeline>) (stating "This Keystone pipeline will create over 20,000 direct jobs and over 100,000 indirect jobs"); *Upton Hails Passage of Bipartisan Legislation to Expedite Long-Awaited Expansion of U.S.-Canadian Energy Pipeline* (June 23, 2011) (press release) (<http://upton.house.gov/news/documentsingle.aspx?DocumentID=248621>) (stating "Keystone XL pipeline is estimated to create more than 100,000 jobs"); *Whitfield Applauds House Action to Create Jobs* (Feb. 17, 2012) (press release) (stating, "a project that will create 20,000 direct jobs, 100,000 indirect jobs") (<http://whitfield.house.gov/press-release/whitfield-applauds-house-action-create-jobs>).

⁸ See The Perryman Group, *The Impact of Developing the Keystone XL Pipeline Project on Business Activity in the U.S.: An Analysis Including State-by-State Construction Effects and an Assessment of the Potential Benefits of a More Stable Source of Domestic Supply* (June 2010); Washington Post, *Keystone pipeline jobs claims: a bipartisan fumble* (Jan. 24, 2012).

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We hope this report is not a harbinger of the Committee's approach to renewable energy issues in the new Congress.

Sincerely,



Henry A. Waxman
Ranking Member



Diana DeGette
Ranking Member
Subcommittee on
Oversight and Investigations



Bobby L. Rush
Ranking Member
Subcommittee on
Energy and Power