



Partnering People With Wind  
Power One Community at a Time

## Wind Energy Policies

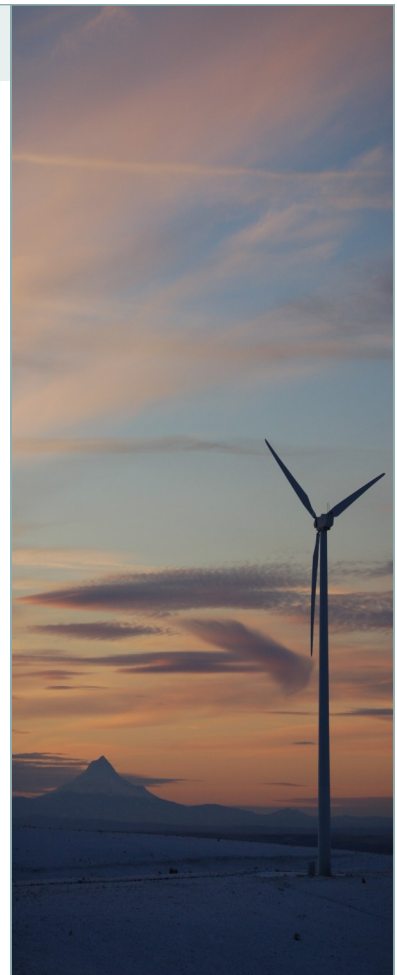
Wind energy is the largest source of new power generation in the country, second only to natural gas. Wind energy developments continue to expand across the United States, growing at a rate of 25 to 30 percent per year, according to American Wind Energy Association (AWEA). This is largely because the federal and state governments have encouraged wind developments with the continued acceleration of renewable energy policy efforts. In fact, President Bush has stated that wind energy can provide as much as 20 percent of the nation's electricity. These efforts have helped sustain the wind industry's growth over the last six years.

Federal policies include continued availability of the production tax credit (PTC), the depreciation of wind power property, and other tax incentives such as the Clean Renewable Energy Bond (CREB) and section 9006 of the 2002 Farm Bill. Current legislation that could be passed by the Senate this fall (2007), including policies for a National Renewable Portfolio Standard (NPS) and a four year extension of the Production Tax Credit (PTC).

However, state policies continue to play a vital role in directing the location and amount of wind project development. According to the Berkeley Lab, from 2001 to 2006, almost 50% of the wind power capacity built in the U.S. was motivated by state renewable portfolio standards (RPS). Also, community wind development has grown substantially in the Midwest with the passing of simple-cost effective state policies such as the Community-Based Energy Development legislation and community oriented tax credits that help these wind projects compete successfully with those of international developers.

The following is an overview of some of the major federal and state policies that are driving wind energy developments across the country.

**Federal Production Tax Credit (PTC):** First established in 1992, the PTC offers a 10 year credit at a level that equaled 1.9 cents/KWh in 2006 and can be adjusted upwards in future years for inflation. The production tax credit gives wind developers a tax credit that is based on the amount of electricity that they produce. In December 2006, the PTC was extended to December 2008. This policy could be extended until 2012 if the proposed legislation is passed by the Senate.



Photographer: Dennis Schwartz

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**Section 9006 of the 2002 Farm Bill:** This section directs the Secretary of Agriculture to make loans, loan guarantees, and grants to farmers, ranchers, and rural small businesses to purchase renewable energy systems and make energy efficiency improvements. Loans can be up to 50% of total eligible project's costs and grants must not exceed 25% of the project's costs. Applicants can qualify for a grant, a guaranteed loan, or a combination of the both.

**Clean Renewable Energy Bond Program (CREB):** This program offers an interest free loan for financing qualified renewable energy projects for a limited term. This is an incentive comparable to the PTC and is commonly known as a "tax credit bond". Most projects that qualify for the PTC are eligible for this incentive too. The federal government provides a tax credit to the bondholder and repayment occurs on a level annual repayment basis.

**State Renewable Portfolio Standards (RPS):** A growing number of states (21 to date) have renewable electricity standards also called renewable portfolio standards that have emerged as an effective and popular tool for promoting a cleaner, renewable power supply. Many states have recently increased their existing requirement, with Minnesota leading the states with one of the largest renewable energy markets in the country. In February 2007, Minnesota increased their existing requirement for Xcel Energy from 15 percent to 30 percent by 2020 and placed a 25 percent standard on all other electricity providers.

### Legislation that is currently awaiting a vote by the Senate:

**National Renewable Portfolio Standard (RPS):** This legislation would create a national renewable portfolio standard (RPS), requiring utilities to generate or buy 20% of their electricity from renewable energy resources by the year 2020. This is needed to offer the most cost-effective, market friendly way to ensure steady growth of America's renewable energy industry. Many states have enacted these standards and demonstrated their effectiveness, as the primary driver of renewable energy generation in the United States.



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