

## More Green for Green: The President's Proposed Budget Adds Substantial Funding for Renewable Energy Incentives

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In a Pepper Hamilton Client Alert last month, we outlined federal and state financial incentives for renewable energy, and identified several programs that looked promising for additional funding. ("Green for Green: Financial Incentives Available for Renewable Energy Development," (January 20, 2010)). This week, the release of President Obama's proposed fiscal year 2011 budget made it clear that strong support for these programs will continue.

Of course, the budget must make its way through a long review process in Congress, and political sentiments are running high to cut costs. However, even stronger pressures are mounting for job creation efforts, and the President has repeatedly tied renewable energy development to jobs, a sure sign he will push hard for funding for these programs.

In just one indication, wind programs at the Department of Energy (DOE) would receive a 53 percent increase, and solar would see a 22 percent hike in funding. Other big winners under the proposed budget are tax credits for renewables and additional money for research. A quick list of highlights from the President's budget are as follows:

- A 5 percent increase to \$2.36 billion for DOE's Office of Energy Efficiency and Renewable Energy. This includes a big increase for wind energy programs from \$80 million to \$123 million, and for solar, from \$247 million to \$302 million. (Some of these funds would be targeted to specific technologies, for example, offshore wind research and development and solar technology that uses large mirrors rather than photovoltaic cells.) Funding for geothermal technol-

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ogy would expand by 25 percent, from \$44 million to \$55 million. Another \$500 million would cover the costs of the "credit subsidy," i.e., the risk of default on loan guarantees for early-stage and innovative renewable energy systems and technologies.

- A \$300 million infusion of funds for DOE's Advanced Research Projects Agency-Energy (ARPA-E), which provides grant money for transformational energy technologies.
- Additional funding for DOE's Office of Science for research and development programs, taking its budget up by 4.5 percent to \$5.12 billion. \$1.8 billion would be added to the basic energy sciences budget for innovative energy research.
- New money, totaling \$5 billion, to expand a 30 percent investment tax credit for manufacturers of solar, wind, and other renewable energy components under Section 48C, to

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replenish a program established by the American Recovery and Reinvestment Act (ARRA) stimulus package. Although not mentioned in the budget, there is pressure in Washington to provide a grant in lieu of the credit program similar to the one established in ARRA for renewable energy producers.

As we previously noted, separate funding for some of these programs also appears in proposed jobs bills now pending before Congress, which could bring new cash to these incentives even sooner than the President's proposed budget. We will continue to monitor all of these developments closely.

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