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Renewable-Power Sector Sees Senate Tax Bill as Major Threat

Advocates for renewable energy are warning the Senate tax bill could have a devastating impact on its businesses.

The Senate's latest tax-overhaul bill includes rules that aim to make it harder for U.S. businesses to keep money overseas and shielded from U.S. taxes. The problem for the wind- and solar-power industries is that big financiers with international footprints have become essential to their development, and the new tax policy may dissuade them from keeping that investment going.

The American Council on Renewable Energy, along with other interest groups, sent a letter to senators Wednesday as part of a larger lobbying effort. They are asking senators to exempt production and investment tax credits for the renewable-power industry for an exemption from the Senate's proposal, which could effectively void a lot of those credits.

"The tax equity marketplace would collapse under these provisions, leading to a dramatic reduction in wind and solar energy investment and development," the council's chief executive, Gregory Wetstone, and the leaders of three other renewable power advocacy groups said in the letter.

Renewable power projects–which the council says generate $50 billion in annual U.S. investment – rely on the tax code for a lot of their funding. They are currently entitled to large tax credits, and investment banks have crafted a whole business raising money from investors who want those credits to reduce their tax liability.

The process is called tax-equity financing. For a wind-power project it can make up 50% to 75% the value for investors, said Matt Shanahan, managing director at Marathon Capital LLC in Chicago.

The credits are so big, often tens of millions of dollars in credits per project, that the investments primarily come from big financial institutions with the huge balance sheets that can absorb the credits, he added. That includes banks like Bank of America Corp. and investment houses like BlackRock Inc.

Those companies usually have big international businesses and that's where renewable-power advocates fear the new tax rules would cause problems. The current language would keep them from using tax credits to lower their total liability on international business, according to the interpretation from renewables advocates. That may virtually stop those investors from funding projects for fear they won't be able to use the credits.

Mr. Shanahan, whose firm has one of the biggest businesses in structuring and financing these projects, was preparing a presentation for clients Wednesday detailing the dramatic effect the Senate bill may have. Leaders at the firm think senators must have not realized the severe threat the bill poses, he said.

"Without a tax-equity investor, you can't justify the cost of building it," Mr. Shanahan said of renewable-energy projects. "We're very concerned." -- *Tim Puko*