# Congress Extends Tax Credits for Wind, Biofuels

DAVID PITT, Associated Press

DES MOINES, Iowa (AP) — The wind energy and ethanol industries celebrated a victory Wednesday with the inclusion of tax credit extensions in the tax relief bill approved by Congress, but that may not mean lost jobs will come back anytime soon.

The measure approved Tuesday night as part of the bill extending tax cuts for most taxpayers also helps wind energy and ethanol producers by extending tax credits, most of which expired Monday.

Among the states expected to benefit from the extension are Texas, the nation's leading wind energy producer, and Iowa, the leading ethanol maker. However, inaction for months caused companies to lay off workers anticipating the tax breaks would go away.

The American Wind Energy Association said as many as 37,000 jobs could have been lost beginning in the first quarter of the year if the production tax credits had not been renewed. The wind industry employs about 75,000 workers.

"Now we can continue to provide America with more clean, affordable, homegrown energy, and keep growing a new manufacturing sector that's now making nearly 70 percent of our wind turbines in the U.S.A.," said Rob Gramlich, the trade group's interim CEO.

Siemens Energy Inc., which makes wind turbine blades and other equipment, laid off 615 workers in Iowa, Kansas, and Florida in September in part because Congress had not renewed the tax credit.

The company said Wednesday the renewal was a step in the right direction but many customers had accelerated projects to start in 2012 to qualify for the credit, making it a record year for turbine installations. Wind projects take months to develop and additional time to manufacture the turbines, blades and towers that make up each generator. As a result 2013 could be a slow year as the industry once again begins to ramp up production.

"Therefore, we are currently evaluating the potential impact the extension will have in the short term," Siemens Energy spokeswoman Melanie Forbrick said in a statement.

Danish wind turbine manufacturer Vestas reduced its U.S. workforce by 20 percent in 2012 in part due to the tax credit expiration. North America spokesman Andrew Longeteig said the company doesn't speculate on future employment figures, but the extension is critical to ensure the projects move forward and orders are placed that support U.S. manufacturing. He said the industry will be stronger due to the

extension.

Katana Summit, a Columbus, Neb.-based wind tower manufacturer, closed plants in Columbus and Washington in early November, laying off nearly 300 workers. CEO Kevin Strudthoff blamed uncertainty about tax credits. The Columbus facility was sold to Omaha, Neb.-based Valmont Industries Inc. which is converting it to a factory to make steel towers for utility companies.

An Indiana a group that promotes renewable energy said the extension of the production tax credit for one year was critical, but a long-term step is needed for the industry to expand.

"This yo-yo, sort of start-stop, start-stop, isn't good for the long-term stability," said Laura Ann Arnold, president of Indiana Distributed Energy Advocate.

The credit expired in 1999, 2001, and 2003 and was always renewed, but each time it expired jobs plummeted as energy producers held off on planned projects. It was most recently renewed in the economic stimulus bill signed by President Barack Obama in February 2009.

Governors from 28 states had called on Congress to renew the wind production tax credit — or PTC — which was first enacted in 1992 and supported by prominent Republicans. Lately, however, conservative House Republicans have opposed renewal of the wind credits and elimination was written into the GOP party platform in August.

The PTC is an income tax credit of 2.2 cents per kilowatt-hour for the first 10 years of electricity production from large-scale wind turbines. The bill allows companies to apply for the credit if they begin construction on a plant in 2013 and finish it by the end of 2014. Earlier versions would have required construction to be finished by the end of the year to qualify for the credit.

Renewing the tax credit results in a loss of an estimated $12 billion in tax revenue over 10 years.

The bill also extends a $1.01-per-gallon tax credit for cellulosic ethanol made from corn plants, grasses, wood and sources other than corn kernels. The bill adds algae as another source material that will be eligible for the tax credit.

Ethanol makers will be allowed to continue to depreciate equipment for new plants placed in service in 2013, and the bill extends biodiesel production tax incentives for two years. Those measures are aimed at encouraging increased production of fuel from renewable sources.

Cellulosic ethanol has been slow to get off the ground after decades of scientific research and development but large-scale plants are now under construction in several states including Florida, Georgia, Iowa, Kansas, Michigan and Mississippi.

Renewal of the credits that encourage investment in new plants is important for the

industry to continue to grow, said Bob Dineen, CEO of the Renewable Fuels Association, a trade group.

"Everybody would like to have longer extensions for tax policy because one thing investors need to see is certainty," Dineen said. "A one-year extension isn't great, but it does provide some measure of certainty that government support is going to continue while there's a longer debate about what to do about overall tax policy."

Gas stations that want to install pumps capable of distributing E85, which is 85 percent ethanol and 15 percent gasoline or those who add 15 percent ethanol —or E15 — pumps also can get a tax credit under the bill.

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*Associated Press reporter Ken Kusmer in Indianapolis contributed to this report.*

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