



## Wind power production tax credit: Wall St. wolf in green clothing

By Curtis Ellis

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The tax incentive for wind power expired last year, and the battle over its extension is now underway. Opponents say the wind power production tax credit, PTC, is a wasteful boondoggle while supporters say it's crucial for renewable energy and jobs. The Sierra Club calls it "one of the best bets we've made on clean, domestic energy."

But it's a misplaced bet. The PTC actually blocks the green energy technologies that hold the most promise. Rather than helping an infant industry, the PTC is a handout to Wall Street.

Congress created the PTC in 1992, a tax credit of roughly 2 cents per kilowatt-hour of wind electricity, to nurture the infant wind energy industry. Government incentives to promote crucial industries are time-honored. That's not the problem with the PTC.

What's important is that only big investors who want to offset tax liabilities on other investments need apply. The PTC can only be taken against "passive income" - income from other investments. Private equity firms put together investors who need a tax write-off courtesy of the PTC. Warren Buffett [admits](#) he uses the PTC to lower his Berkshire taxes: "we get a tax credit if we build a lot of wind farms. That's the only reason to build them."

The PTC doesn't help the average Joe who wants to put a small wind turbine on his ranch to generate electricity and reduce the taxes he pays on his farm income.

But while the PTC boosts Wall Street investment schemes in large-scale wind farms, the fact is small-scale, individually owned generation facilities hold the most promise for renewable energy.

Noted environmentalist Bill McKibben writes, "One of the great side effects of moving to renewable power is that we will replace vulnerable, brittle centralized systems that are too big to fail with spread out democratic energy sources." Unfortunately, the PTC only encourages more "brittle centralized systems."

California's Local Clean Energy Alliance (which includes the San Francisco Bay Area chapter of the Sierra Club) concurs. It's report, *Community Power*, states "local, decentralized generation of electricity offers many benefits to California's communities relative to large central-station solar or wind power plants in remote areas."

The Institute for Local Self Reliance, a green energy cheerleader, says renewables work best "at small scales across the country," what's known as distributed generation, "a network of independently-owned and widely dispersed renewable energy generators" rather than "a 20th century grid dominated by large, centralized utilities."

In fact the Institute explicitly [says](#) the PTC is a significant barrier to greater investment in renewable energy. Removing this barrier "makes smaller projects more accessible to the local

community, and draws local investors back into the process,” says John Farrell of the Institute for Local Self-Reliance.

Utilities are also taking local-scale renewable energy seriously. A report by the Edison Electric Institute, [Disruptive Challenges](#) expects small-scale solar and wind “to challenge and transform the electric utility industry” with “adverse impacts on revenues, as well as on investor returns.”

David Crane, CEO of [NRG Energy](#), a wholesale power company that operates coal-fired plants, told [Bloomberg Businessweek](#) “the grid will become increasingly irrelevant as customers move toward decentralized homegrown green energy.”

So, if local-scale wind and solar generated close to the end user makes the most sense, why do we have a PTC pushing large-scale wind farms? It’s a Wall Street play.

Environmentalists supporting the PTC mean well, but they fail to see the wolf of Wall Street hiding beneath the green clothes. Ironically, the national green organizations are fighting for the kind of massive generating stations and power lines their local chapters often fight against.

The PTC is an anachronism and an obstacle to developing the decentralized, independently owned power generation system appropriate for wind, solar and other renewables.

Anyone who believes in renewable energy should be happy to see the PTC expire. It’s time to replace this tax write-off for the financial services cabal with something that benefits everyone.

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