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Clean Energy Takes Center Stage in Obama's 2013-2014 Proposed Budget

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A glimpse at President Obama's recently released 2013-2014 federal budget proposal reveals major steps in funding for energy projects. A sizeable $28.4 billion allocation has been set aside for The Department of Energy discretionary fund, up 8% from last year's level of funding. This proposed funding initiative has its greatest effect on clean energy, advanced manufacturing, and research and development. Research and development is allocated $2.8 billion, to be administered by the Office of Energy Efficiency and Renewable Energy (EERE). This increase in funding can benefit for-profit companies, nonprofit organizations, local agencies and universities.

Areas receiving increased funding are:

- Development and demonstration of the next generation of advanced vehicles – up 75%
- Next generation of advanced biofuels and biorefineries – up 42%
- Innovative projects to make clean, renewable power, sources more easily integrated – up 29%

Universities and research facilities have additional opportunities through a whopping $5 billion of proposed funding to the Office of Science, a 5.7 % increase from 2012.

Previous funding of research facilities is already taking shape locally. In November 2011, The Long Island Solar Farm (LISF), located on the Brookhaven National Laboratory site began delivering power to the LIPA grid. The 32-megawatt solar photovoltaic power plant built through a collaboration including BP Solar, the Long Island Power Authority (LIPA), and the Department of Energy is currently the largest solar photovoltaic power plant in the Eastern United States. It is generating enough renewable energy to power approximately 4,500 homes, and is helping New York State meet its clean energy and carbon reduction goals.

To provide a consistent incentive to encourage investments in renewable energy technologies, the budget would make permanent the tax credit for the production of renewable electricity, energy efficiency and advanced manufacturing. There are two

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For additional information on this or any energy law related issue, please contact ***Michael L. Faltischek***, chair of Ruskin Moscou Faltischek's Energy Law Practice Group.

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forms of tax credits available: the production tax credit (PTC) and the investment tax credit (ITC). The budget dedicates $23 billion for incentives for renewable energy production and energy efficiency programs over the next decade. An additional $2.5 billion in tax credits would be given to companies that invest in advanced energy manufacturing projects, such as facilities for green energy manufacturing — bringing the total amount of clean manufacturing tax credits to $4.8 billion when combined with credits from the Recovery Act program.

As an added incentive the budget makes the Production Tax Credit refundable so new, growing firms can benefit and provide renewable electricity generation. The budget also would reform and make permanent the deduction for energy efficient commercial property.

In an effort to bolster domestic manufacturing, the Department of Energy would be allocated $365 million to develop innovative manufacturing processes, advanced industrial materials and combined heat and power technologies to increase energy efficiency and ensure that the technologies developed in the United States are manufactured here in the States. This funding includes support for three Manufacturing Innovation Institutes focused on energy and efficiency technologies. They will leverage investments from universities, companies, and the government to create and deploy new manufacturing capabilities, products, and processes that can impact large-scale commercial production.

States stand to benefit enormously by the creation of a $200 million fund for Race to the Top performance-based awards that recognize governments that implement effective policies to cut energy waste, support energy efficiency and modernize the grid.

On the state level, recent legislation parallels the President's initiatives in providing incentives to municipalities and businesses. A new law that took effect on January 1st exempts the sale and installation of commercial solar energy systems equipment from state sales tax and compensating use taxes. The new law allows municipalities and cities to exclude these costs from local sales tax.

Our practice group can provide guidance in the areas most impacted by these funds and can assist in pursuing appropriate opportunities, both on the federal and state levels.

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