



BIOMASS POWER'S UNFAIR BURDEN

Tax Equity Will Increase American Jobs, Green Energy

Although biomass is the only renewable energy that actually reduces greenhouse gases, the Production Tax Credits (PTCs) for biomass power are half those provided for other renewables like wind and geothermal. This puts biomass at an extreme competitive disadvantage — discouraging expansion, hurting America's ability to meet its aggressive renewable energy goals and undermining an industry that creates about 14,000 jobs annually.

To protect and grow this vital green industry, tax equity is essential.

The Economics Of Biomass

Existing state Renewable Portfolio Standard (RPS) laws call for over 12,400 MW of new renewable power by 2012 — enough to power 7 to 12 million homes.

These laws, combined with the utilities' response to them, are affecting the price of biomass and other renewable contracts. In parts of the country where RPS timetables and language are more restrictive, utilities are paying more for renewable energy. In areas where RPS implementation is slower, or where transmission bottlenecks exist, they typically are paying less.

Since biomass power is generally more expensive to produce than most other renewable forms of energy (even though it delivers the biggest environmental reward), and because of the current tax inequities, the operating margins for biomass producers are tighter than for other renewable producers, and are thus more sensitive to these contract fluctuations.

A U.S. Department of Energy study concluded that the environmental benefits of biomass power are worth at least 11-cents per kWh. But the "real world" economics for biomass producers are very different:

With Existing Biomass PTC

Power/REC Contract	8.0 cents/kWh
Production Tax Credit (Pre tax equivalent of 1.0 cent/kWh PTC)	1.5 cents/kWh
Costs	-10.5 cents/kWh
4.4 cents – Capital/Construction/Return	
2.5 cents – Operations/Maintenance	
3.6 cents – Fuel	
Profit	-1.0



With PTC Parity

Power/REC Contract	8.0 cents/kWh
Production Tax Credit (Pre tax equivalent of 2.1 cent/kWh PTC)	3.15 cents/kWh
Costs	-10.5 cents/kWh
4.4 cents – Capital/Construction/Return	
2.5 cents – Operations/Maintenance	
3.6 cents – Fuel	
Profit	+ .65 cent/kWh

The value of a penny may seem inconsequential, even in today's weakened economy. But to a biomass power producer, it can mean the difference between keeping the lights on and going dark.