

# Energy Policy Perspectives and Progress

Southern BioProducts & Renewable Energy Conference

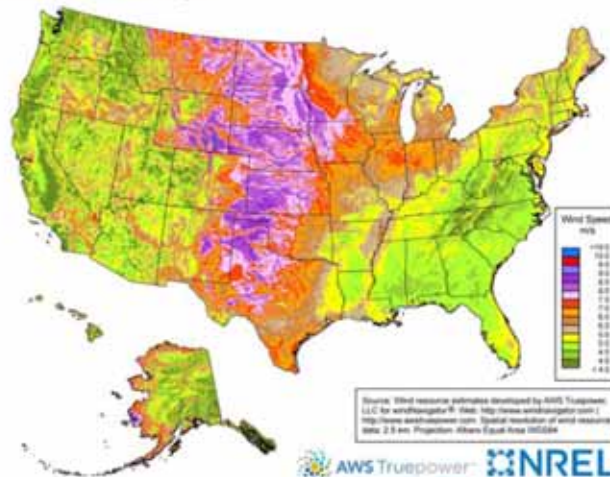
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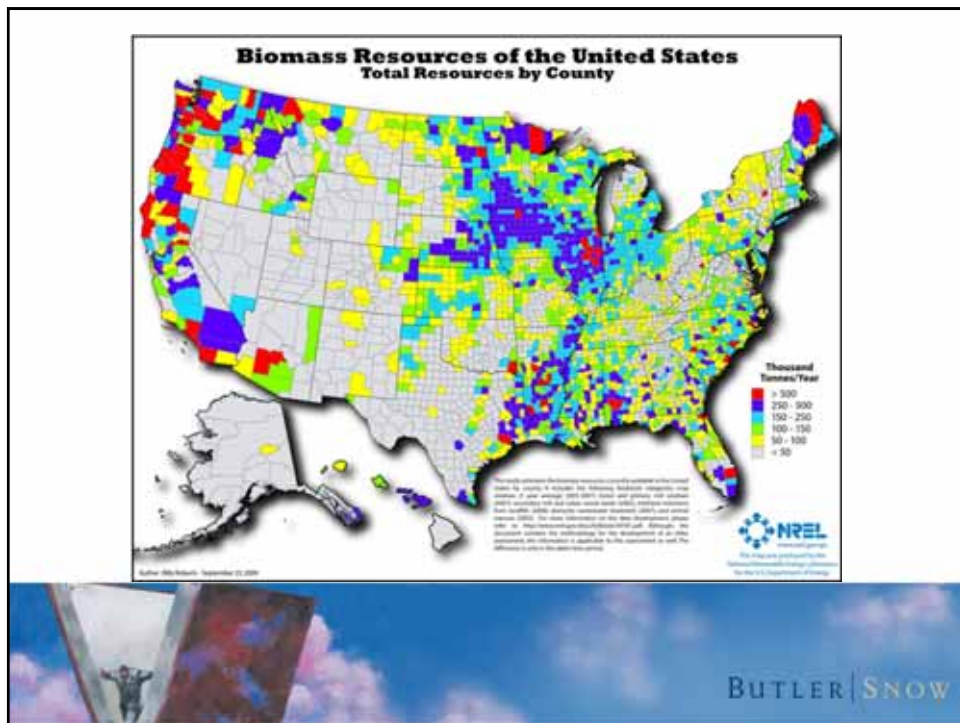
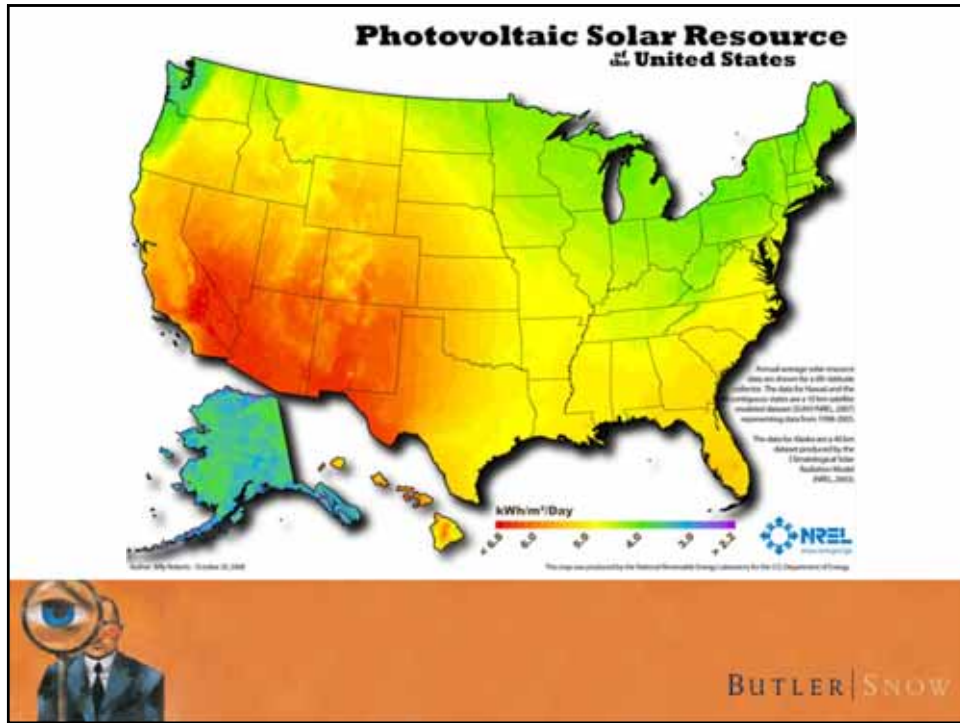
Butler, Snow, O'Mara, Stevens & Cannada, PLLC

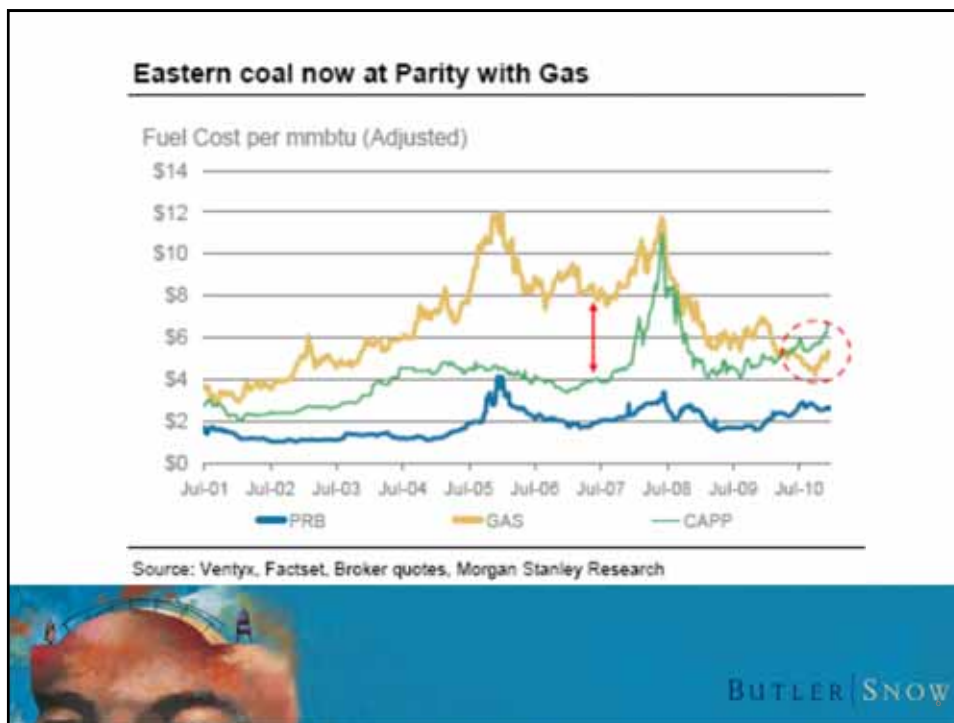
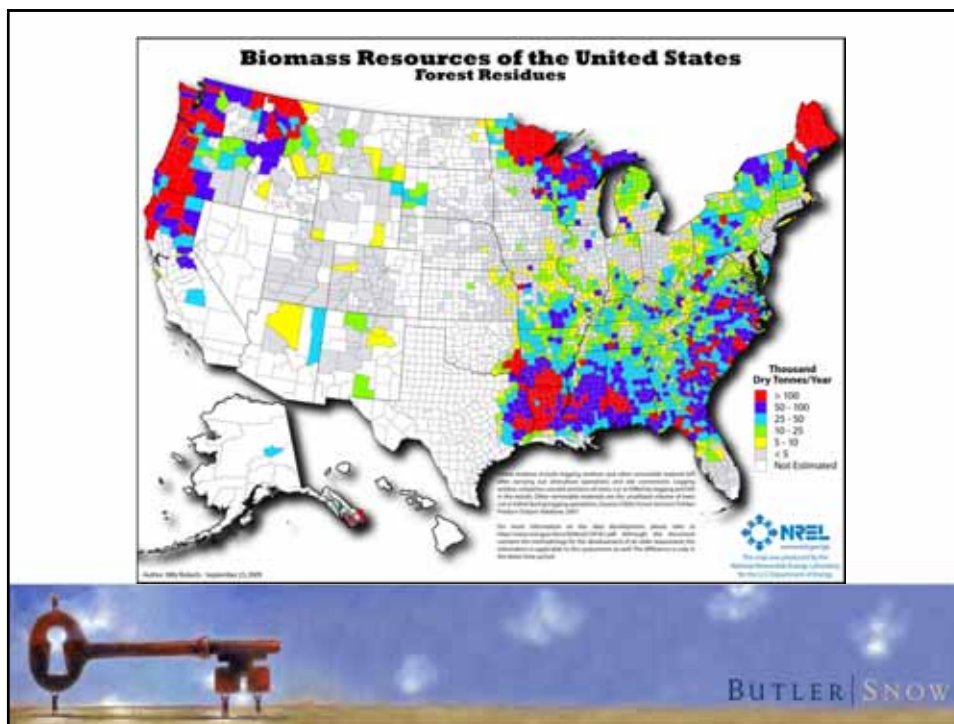
May 11, 2011

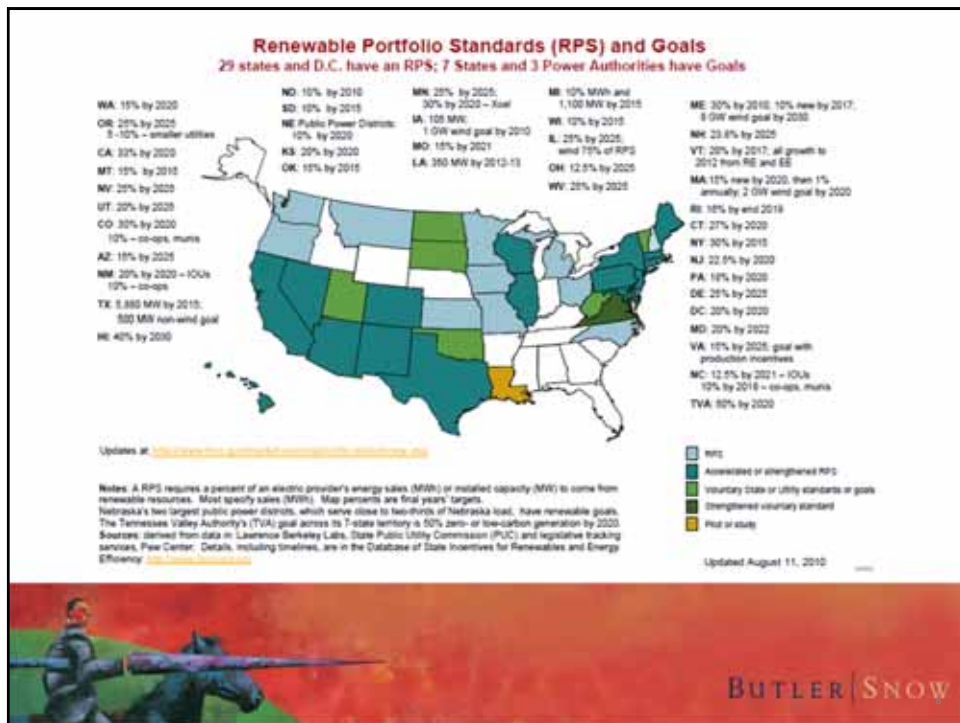
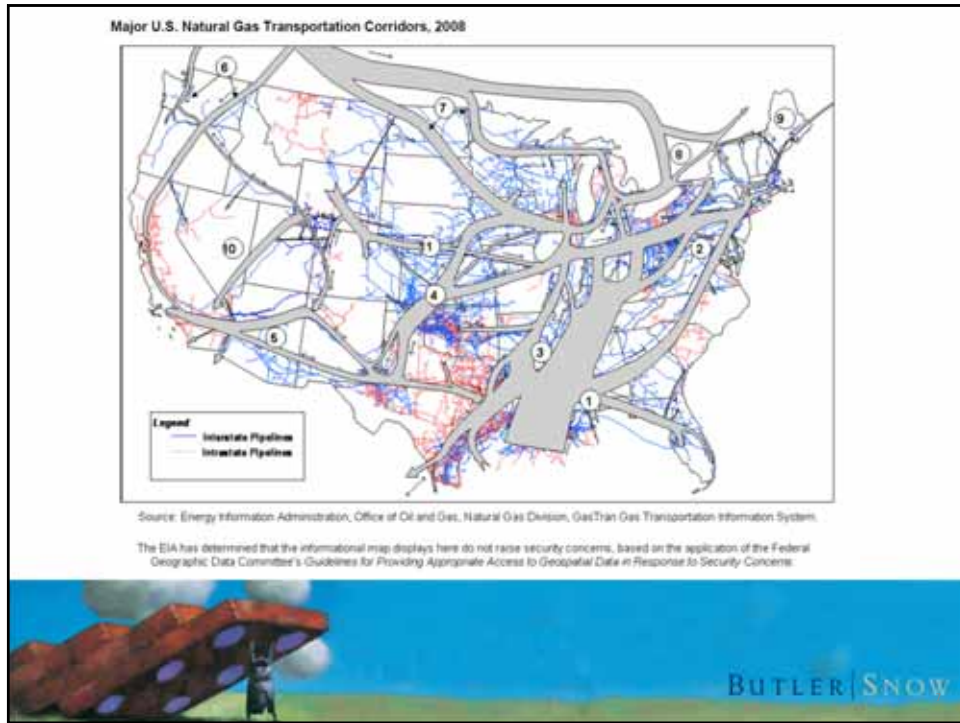


80-Meter Wind Resource Maps









## **Production Tax Credit (PTC)**

- The PTC is equal to 1.1-2.2 cents per kilowatt-hour, depending on the type of project, and it runs for 10 years after the project is placed in service.
- Qualifying projects include, among other things, biomass, wind and solar energy.
- A project must be placed in service by December 31, 2013 (December 31, 2012 for wind).



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## **Investment Tax Credit (ITC)**

- The ITC is equal to 10% or 30% (depending on the energy source) of the basis of the project and is taken when the project is placed in service.
- Qualifying projects include, among other things, solar property and small wind energy property. In addition, a taxpayer may elect an ITC in lieu of the PTC with respect to a project that would otherwise have been eligible for a PTC, such as a biomass project.
- A project must be placed in service by December 31, 2012 (in the case of wind facility property), by December 31, 2013 (in the case of property eligible for the PTC, such as a biomass project), or by December 31, 2016 (in the case of any specified energy property eligible for the ITC).



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### **Section 1603 Grant**

- Taxpayers can elect to receive a grant from the Treasury Department in lieu of the ITC.
- For property to be eligible, construction must begin by the end of 2011 and must be completed by December 31, 2012 (in the case of wind facility property), by December 31, 2013 (in the case of property eligible for the PTC, such as a biomass facility), or December 31, 2016 (in the case of any specified energy property eligible for the ITC).



### **New Markets Tax Credit (NMTC)**

- The NMTC is equal to 39% of the investor's investment in the project and is taken over 7 years.
- Qualifying projects must be located in qualified low-income communities and must receive allocation from a community development entity.



### **New Clean Renewable Energy Bonds (New CREBs)**

- New CREBs may finance facilities that are owned by public power providers, governmental bodies, or electric cooperatives and that generate electricity from renewable sources, including wind and biomass.
- New CREBs may be issued as tax credit bonds that offer the holders a federal tax credit instead of tax-exempt interest or as direct-pay bonds that allow the issuer to receive a direct subsidy from the Treasury Department
- At this point, the IRS is not accepting new applications for New CREBs allocation, but there are ongoing efforts to extend the program.



### **Qualified Energy Conservation Bonds (QECBs)**

- QECBs may be issued by states and local governments to finance qualified conservation purposes, which include capital expenditures incurred with respect to facilities that qualify for the PTC.
- Like New CREBs, QECBs may be issued as tax credit bonds that offer the holders a federal tax credit instead of tax-exempt interest or as direct-pay bonds that allow the issuer to receive a direct subsidy from the Treasury Department
- Mississippi has just over \$30MM of QECB allocation.



## **Federal Grant and Loan Programs**

- The Departments of Energy (DOE), Agriculture (USDA) and Interior regularly award grants for renewable energy projects.
- In addition, DOE and USDA regularly offer loan guarantees for renewable energy projects.



## **Mississippi: State and Local Incentives**

- Financing
  - Industrial Development Revenue Bonds issued through the Mississippi Business Development Corp., both taxable and, in certain instances, tax exempt
  - low interest loans through MDA
  - grants for certain projects
- Property tax
  - abatements up to 2/3 of property tax for up to 10 years
  - complete abatement on finished goods shipped out of state



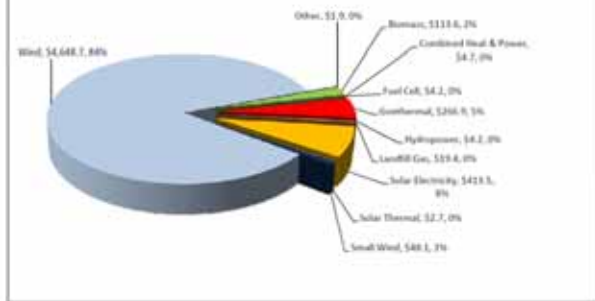
## Mississippi: State and Local Incentives (cont'd)

- Sales and use tax - complete exemption on machinery and equipment and component building materials
- Income tax - credits against state income taxes for certain projects with significant employment
- Jobs creation - rebate of a percentage of MS payroll taxes for certain projects
- Infrastructure - grants and local support for project infrastructure



Industry Segment	2009 Cash Grants Awarded (\$ millions)				2010 Cash Grants Awarded (\$ millions)	
	2009 Awards	Percent	2010 Awards	Percent	Total Awards	Percent
Biomass	21.4	3.3%	42.2	5.2%	\$113.8	2.1%
Combined Heat & Power	1.1	0.1%	2.8	0.1%	\$4.7	0.1%
Fuel Cell	1.9	0.1%	2.3	0.1%	\$4.2	0.1%
Geothermal	119.4	6.2%	147.5	4.1%	\$266.9	4.8%
Hydropower	4.1	0.2%	3.1	0.0%	\$4.2	0.1%
Landfill Gas	12.9	0.7%	6.6	0.2%	\$19.4	0.4%
Solar Electricity	26.8	1.4%	386.7	10.8%	\$413.5	7.5%
Solar Thermal	0.8	0.0%	1.9	0.1%	\$2.7	0.0%
Small Wind	0.3	0.0%	47.7	1.3%	\$48.1	0.8%
Wind	1892.7	87.8%	2955.9	82.2%	\$4,848.7	84.1%
Other	0.2	0.0%	1.9	0.1%	\$1.9	0.0%
<b>Total</b>	<b>\$1,932.4</b>	<b>100.0%</b>	<b>\$1,926.48</b>	<b>100.0%</b>	<b>\$1,917.93</b>	<b>100.0%</b>

2009/2010 Cash Grant Awards (\$millions)



Source: ©2010 Department of Finance

