

Government Incentives (and High Energy Costs) Have Created Significant Opportunities for Wind Energy Development

At the time of this writing, the price of a barrel of oil is swiftly approaching \$100. In addition, overdependence on foreign energy sources and concerns regarding the relationship between the use of fossil fuels and global climate change have spurred the government to create incentives to expand this country's use of renewable energy sources. In the past, wind energy was viewed by many to be cost-prohibitive because of the significant costs associated with erecting wind turbines. In this current environment, however, wind energy is gaining momentum across the country. In just the last year, wind energy capacity in the United States has grown from 9,149 megawatts to 11,603 megawatts, an increase of almost 27%. The purpose of this brief article is to highlight just a few of the incentives on the state and federal level to encourage the further development of wind energy.

On the federal level, the Federal Renewable Electricity Production Tax Credit provides a significant tax incentive to develop wind commercial wind farms. See 26 U.S.C. § 45. "This non-refundable credit is available for the domestic production of electricity from qualified energy resources at a qualified facility [defined later to include wind energy turbines] which is sold to an unrelated person." *Electricity Produced from Certain Renewable Resources*, CCH-EXP 2000 Fed. § 4415.01. A taxpayer is entitled to a credit equal to 1.9 cents multiplied by the number of kilowatt hours of electricity produced and sold. 26 U.S.C § 45(a). The credit can be taken for a total of ten years for wind turbines placed into service before January 1, 2009. 26 U.S.C. § 45(d)(1). Accordingly, if you erect a wind turbine in the United States and sell the energy you produce to another entity, you can receive a tax credit based upon the amount of energy you sell. (Of course, the program includes various limitations and a detailed analysis of its workings is beyond the scope of this short article).

The state of New York has also created incentives to encourage the development of renewable energy throughout the state. Moreover, the weather patterns and geography of the state create an environment suitable for significant expansion of current wind energy facilities. The American Wind Energy Association estimates that the state is ranked 15th in the country in wind energy potential, and according to the New York State Energy Research and Development Authority (NYSERDA), the state has about "5,000 MW of land based wind potential, enough to generate about 13 million megawatt-hours (MWh) or equivalent to 10% of the State's electricity consumption." www.powernaturally.com/programs/wind/utilityscale_largewind.asp?i=8.

NYSERDA provides grants and incentives for both commercial and small-scale wind projects. For instance, the Wind Plant Development Program assists with the siting and operation of utility scale wind energy operations. NYSERDA also provides grant money to encourage "small scale" projects, which are usually erected on-site to offset the cost of other energy sources. For instance, an entity that erects a Wind Energy Solutions 250 kW wind turbine is eligible for a \$120,000 grant. Moreover, the baseline incentive is increased for commercial farms, not for profit organizations, schools, and municipalities.

The state also provides a tax exemption program for the erection of wind energy turbines. See N.Y. Real Property Tax Law § 487. This program exempts from property taxation the increase in a property's value that is attributable to the erection of wind energy turbines for a period of 15

years. In other words, a field filled with wind turbines producing energy could be taxed the same as the field of alfalfa situated next to it (no offense to the alfalfa). Leveraging this tax exemption with grants from NYSERDA make small scale wind projects much more cost-effective.

It is important to note that developments in technology and careful study have minimized many of the perceived problems with wind energy developments. One of the concerns voiced by many is that the wind energy turbines cause significant death or injury to bird populations. According to Greenpeace, “studies from Europe and the United States have shown, however, that the average rate of collision has been no more than two birds per turbine per year. These figures should be set against the millions of birds killed each year by power lines, pesticides and road vehicles.” *Global Wind Energy Outlook 2006*, Greenpeace (2006), at www.greenpeace.org.

As to perceived noise problems, advances in the design of turbines and structural controls on the speed of the turbines have significantly reduced the amount of noise generated by modern wind projects. NYSERDA estimates that the noise from a wind turbine is no louder than “ambient sounds in a quiet suburban residential area.”

A combination of high energy costs, advances in technology, and government incentives have created an environment where wind energy can be a cost-effective method of using a renewable energy resource. This article reviews just a few of the many incentives that exist on the state and federal level. For additional information, visit the NYSERDA website at www.powernaturally.org, the website for the American Wind Energy Association at www.awea.org, and the federal Energy Efficiency and Renewable Energy site at <http://www1.eere.energy.gov/windandhydro/>

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