



MEMORANDUM

TO: Interested Parties

FROM: APCO Worldwide

RE: Alternative Energy Provisions of the American Recovery and Reinvestment Act

BACKGROUND

On Tuesday, February 17, 2009, President Obama signed H.R. 1, "The American Recovery and Reinvestment Act," more popularly known as President Obama's economic stimulus bill. Overall, the Act is designed to create and save between 3-4 million new jobs and accelerate the American economy out of recession. The legislation includes \$787.2 billion in targeted investments and tax cuts in key sectors of the U.S. economy, with nearly \$100 billion in spending and tax breaks to promote the further development and use of renewable energies, increase energy efficiency and create new, "green jobs."

The alternative energy provisions cover over one hundred pages of the Act with significant detail explaining allocations, tax credits, etc.

This memorandum was developed by APCO's government relations group in Washington, D.C. It provides an overview of these provisions, summarizing some key opportunities for companies in the renewable energy sector.

KEY ENERGY PROVISIONS IN THE AMERICAN RECOVERY AND REINVESTMENT ACT:

Low Income Housing Energy Efficiency Funding

- **Weatherizing Private Housing:** The Act creates a new program that allocates almost \$5 billion to weatherize and retrofit low-income housing to reduce electricity usage charges through expenditures and tax credits. The Act extends and expands tax credits through 2010 for purchases of new furnaces, energy efficient windows and doors and insulation materials.
- **Insulating HUD Housing:** \$250 million is appropriated for a new Housing and Urban Development (HUD) program to upgrade HUD-sponsored low income housing to increase energy efficiency, including new insulation, windows and furnaces. Funds will be competitively awarded by federal contract.
- **Tax Credit for Weatherizing Homes:** The tax credit in existing legislation is increased from 10 percent to 30 percent of the cost of the investment, and raises the credit cap from \$500 to \$1,500.

Promoting Energy Efficiency in Federal & Military Buildings

- The Act allocates \$4.5 billion to reduce the energy consumption in federal and military buildings throughout the Washington, D.C., metropolitan area, as well as in each of the states where federal and military installations are located.

Energy Efficiency Block Grants

- *State & Local Alternative Energy Projects*: The Act allocates approximately \$6.3 billion to help state and local governments promote energy efficiency projects. States can bid for funding to make investments in innovative energy development projects and energy conservation programs for buildings and homes (this is in addition to the low-income energy efficiency funding referenced above). Funding is to be used to promote energy efficiencies in university buildings, private companies and national laboratories to enable the development of updated energy efficiency building codes.
- *“Energy Bonds”*: The Act allocates funds to enable states, local governments, energy cooperatives and public power utilities to issue energy bonds for renewable energy and energy conservation development.

Household Appliance Energy Efficiency

- The legislation includes \$300 million to provide consumers with rebates to encourage the purchase of high-efficiency home appliances, such as air conditioners, refrigerators, stoves, *etc.*, to promote lower energy bills.

Advanced Battery Technologies

- \$2 billion is granted for the Advanced Battery Grants Program, to support U.S. manufacturing of advanced vehicle batteries and battery systems.
- Establishes an enhanced research and development tax credit for expenditures into innovative fuel cells, battery technology and alternative energy technologies.

New Vehicle Purchases & Transportation

- *Government Vehicle Fleet*: The Act allocates \$300 million to replace older federal government vehicles with alternative fuel and plug-in automobiles that will save on fuel costs and reduce carbon emissions. Additionally, there is a separate \$300 million appropriation to enable state and local governments to purchase efficient alternative energy vehicles.
- *R&D for Electric Vehicles*: \$400 million is allocated for R&D (research and development) grants to encourage electric vehicle technologies.
- *Diesel Emission Reduction*: The Act sets aside \$300 million to promote diesel emissions reductions via grants and loans to state and local governments for projects that promote reduction of diesel emissions that would benefit health and reduce global warming. This



includes technologies to retrofit emission exhaust systems on school buses, replace engines and vehicles and establish engine anti-idling programs.

New Fuel Pumps

- The Act increases tax incentives to install new fuel pumps that dispense alternative fuels, including E85, biodiesel, hydrogen and natural gas.

Electrical “Smart” Grid Technologies

- Almost \$11 billion is allocated to develop a national energy “smart” grid (The Smart Grid Investment Program). The Act envisions the creation of federal, state and local demonstration projects in geographically diverse areas.
- Smart Meters: Smart grid technologies would include “smart meters” that provide consumers more choice in their energy sources, and construction of new power lines that can transmit renewable energy, such as solar and wind.

Renewable Energy Development

- Loan Guarantees: The Act allocates up to \$6 billion in loans and loan guarantees for renewable energy power generation. This includes a three year extension of the production tax credit (PTC) for electricity derived from wind (through 2012), electricity derived from biomass, geothermal, hydropower, landfill gases, waste-to-energy and marine sources.
- Research & Development: In addition, the Act sets aside \$2.5 billion for energy efficiency and renewable energy research, development, demonstration and deployment activities to foster U.S. energy independence, reduce carbon emissions and reduce utility bills. Funds will be awarded through competitive process to universities, companies and laboratories.
- Tax Credits: The Act also provides a tax credit to businesses that place new renewable energy facilities in service in 2009 and 2010 to claim either a 30 percent investment tax credit instead of a PTC, or apply for a grant of up to 30 percent of the cost of building a new renewable energy facility from the Energy Department.
- DOD Research & Development: The Act allocates \$300 million to the Pentagon for research into using renewable energy to power weapons systems and military bases.



Coal Usage

- The Act contains a \$3.4 billion allocation for carbon capture and sequestration technology demonstration projects to accelerate development of new “clean coal” energy capabilities, which would include tax credits for reducing carbon dioxide levels emitted from industrial plants and fossil fuel plants.

Green Job Training and Energy Efficiency Schools

- The Act allocates \$500 million to train workers for so-called “green collar” jobs.
- Creates new tax credits to promote green building projects.

About APCO

APCO Worldwide recognizes the complexities and interconnectedness of the global energy industry. Based on our work with clean technology companies in solar, wind, biofuels and other industry-related markets, our global team focused on renewable energy, APCO Renew team, has deep understanding not only of the competitive marketplace for this growing industry, but also how government and regulatory entities in key political capitals around the world can affect industry growth.

We have a proven track record in developing and executing communication strategies that clearly define our clients’ values and the benefits they bring to the marketplace – and we have done it with start-ups looking to break into international markets as well as established *Fortune* 500 companies.

Our services to companies across the renewable energy sector include, but are not limited to:

- Government Relations
- Branding & Positioning
- Marketing Communication
- Stakeholder Mapping & Communication
- Ally Development
- Media Relations

Our experts are available to brief the interested parties about the challenges and opportunities stemming from the American Recovery and Reinvestment Act. Please contact Ambassador Marc Ginsberg (mginsberg@apcoworldwide.com) and Anna Tunkel (atunkel@apcoworldwide.com) for more information.

Founded in 1984, APCO Worldwide is an award-winning, independently owned global communication consultancy with offices in major cities throughout the Americas, Europe, the Middle East, Africa and Asia. Headquartered in Washington, D.C., APCO clients include corporations and governments; industry associations and nonprofit organizations; and seven of the top 10 companies on *Fortune’s* Global 500. APCO offers services related to business and finance; media, public opinion and society; and government and public policy. The firm is a majority women-owned business. For more information, please visit www.apcoworldwide.com.