



February 7, 2017

The Honorable Paul D. Ryan
Speaker of the U.S. House
Washington, DC 20515

The Honorable Nancy Pelosi
U.S. House Democratic Leader
Washington, DC 20515

The Honorable Mitch McConnell
U.S. Senate Majority Leader
Washington, DC 20510

The Honorable Chuck Schumer
U.S. Senate Democratic Leader
Washington, DC 20510

The Honorable Kevin Brady
Chairman
U.S. House Committee on Ways and Means
Washington, DC 20515

The Honorable Richard Neal
Ranking Democratic Member
U.S. House Committee on Ways and Means
Washington, DC 20515

The Honorable Orrin Hatch
Chairman
U.S. Senate Finance Committee
Washington, DC 20510

The Honorable Ron Wyden
Ranking Democratic Member
U.S. Senate Finance Committee
Washington, DC 20510

Dear Speaker Ryan, Democratic Leader Pelosi, Majority Leader McConnell, Democratic Leader Schumer, Chairman Brady, Ranking Member Neal, Chairman Hatch and Ranking Member Wyden:

As you consider energy tax extenders legislation, we urge you to clarify that the investment tax credit (“ITC”) in Section 48 of the tax code includes energy storage as an eligible technology. There is bipartisan, bicameral support for this common-sense bill, the *Energy Storage Tax Incentive and Deployment Act* (S. 1868 and H.R. 4649), which would ensure a level playing field for energy storage to compete with all other energy resources made eligible for the ITC.

Without clear statutory rules, energy storage industry members face continuing uncertainty from IRS guidance about the eligibility of energy storage equipment for Section 48 tax credits when paired with ITC-eligible resources. Additionally, energy storage equipment provides the same services whether or not it is integrated with ITC-eligible resources, although ITC eligibility for stand-alone systems is not clear.

Energy storage systems¹ are critical to modernization of the electric grid. The National

¹ Energy storage technology receives, stores, and delivers energy using batteries, compressed air, pumped hydropower, hydrogen storage, thermal energy storage, regenerative fuel cells, flywheels, capacitors, superconducting magnets, and other technologies.

Governors Association has underscored the multiple benefits of energy storage to save utilities, businesses, and households money while enhancing grid reliability and resilience.² Energy storage systems are also fuel-neutral and help any generation resource connected to the grid – coal, gas, nuclear, wind, solar, hydro – become more efficient, productive, and competitive. The energy storage industry supports nearly 70,000 jobs today³ and has significant room to grow.

If enacted, this bill would allow a diversity of U.S. companies to better obtain financing, scale, create jobs, and become more competitive internationally in the fast-growing global storage market. Clarification of the ITC for energy storage, as proposed by S. 1868 and H.R. 4649, would provide greater certainty to investors and businesses, and the credit for energy storage would phase down along with the ITC for other technologies. All storage technologies—batteries, pumped hydro, compressed air, thermal, and others—would be eligible for the ITC, ensuring technology neutrality so companies can choose the optimal solution.

More significantly, with many other competitor energy technologies proposed for the ITC, allowing energy storage access to the same ITC is critical to ensure a level playing field across all energy technologies. Secretary of Energy Rick Perry called energy storage the “holy grail” for its transformative impact on the electric system,⁴ and exclusion of storage from energy tax credits is a significant oversight that will bias competition among solutions for power system efficiency.

We encourage you to support capital formation, investment, and jobs in making America’s power system more reliable, resilient, and cost-effective with energy storage. We ask you to support inclusion of storage ITC eligibility in energy tax extenders legislation.

Sincerely,

Citizens for Responsible Energy Solutions
Energy Storage Association
National Electrical Manufacturers Association
National Hydropower Association

cc: Members of the U.S. House Ways and Means Committee
Members of the U.S. Senate Finance Committee

² National Governors Association, *State Strategies for Advancing the Use of Energy Storage*, October 2016, available at <https://www.nga.org/files/live/sites/NGA/files/pdf/2016/1610StateStrategiesEnergyStorage.pdf>

³ Department of Energy, *U.S. Energy and Employment Report*, January 2017, available at https://www.energy.gov/sites/prod/files/2017/01/f34/2017%20US%20Energy%20and%20Jobs%20Report_0.pdf

⁴ “The holy grail of energy ... is about battery storage. Battery storage changes the world, I would suggest, the same way that hydraulic fracturing and directional drilling has changed the world.” See “US DOE’s Perry sees storage as potential ‘Holy Grail’, sings fossil fuels’ praises,” *Platts*, 2 Nov 2017, available at <https://www.platts.com/latest-news/electric-power/washington/us-does-perry-sees-storage-as-potential-holy-21437709>