

June 1, 2011

Dear Member of the Oregon House,

Oregon is deservedly known as a national leader in the response to climate change and the transition away from fossil fuels for electricity generation. That progress was largely due to strong citizen advocacy and far-sighted political leadership in the recent past.

The cost of investing in our independence from dirty fuels pales when compared to the costs of not doing so. These default costs range from the expense of climate change adaptation, higher and more volatile prices for fossil fuels, added health care, repairing environmental damage, and massive military spending to protect distant fossil fuel supply lines.

We write today concerning the severity of the proposed cuts to Renewable Energy and Energy Efficiency funding. Those proposed by the Tax Credit Subcommittee of Ways and Means and agreed to by Senate and House leadership place a \$10M cap on tax credits of all kinds and will remove 97% of the Residential Energy Tax Credit (RETC goes from \$34M in 2009-11 to \$1M in 2012-2013) and shrink the Business Energy Tax Credit (BETC) more than 92% (from \$300M for renewables alone in 2009-11 to \$150M in 2011-2012 – with no carryovers – to \$2M to cover both renewables and conservation in 2012-2013).

Cuts of this magnitude risk dismantling (or driving out of state) the renewable energy industry and infrastructure our Oregon tax dollars have built up over the past decades. Such huge cuts mean hundreds of small companies all over Oregon will be lost. With them will go thousands of jobs. This will increase the need for unemployment benefit expenditures by the state and greatly decrease the dollars circulating in our local communities from both salaries and foregone federal tax incentives*. With the loss of these businesses Oregon will lose its infrastructure response to climate change, built over the past several decades, including our highly praised Solarize programs.

Since the need for clean energy, both to address energy independence and global climate change, has not gone away, we will have to rebuild our renewable energy infrastructure again later. A more responsible course would be to maintain a reasonable level of funding, especially for RETC, where the impact on state budgets is less due to the \$6,000 cap, until we have an alternative funding mechanism in place. This course of action will preserve our prior infrastructure investment as well as Oregon small businesses and jobs..

- A 3kW residential solar installation costs the state \$6,000 in tax incentives but brings in an additional \$1,434 in tax revenue from installation salaries and keeps \$4,770 that would otherwise be sent as taxes to the federal government circulating in the local economy. The system puts a current value of \$240 per year (in electricity) into the homeowner's pocket for spending locally.
 - An 8kW residential solar installation costs the state \$6,000 in tax incentives but brings in an additional \$2,385 in tax revenue from installation salaries and keeps \$12,720 that would otherwise be sent as taxes to the federal government circulating in the local economy. The system puts a current value of \$640 per year (in electricity) into the homeowner's pocket for spending locally.
- (Please contact Kathleen@OregonRenewables.com for details on these calculations).

All Oregonians realize the economic crisis has put enormous strains on our state budget and all who depend on public dollars must expect thorough review of and sensible changes to existing programs. However, it is not wise policy to destroy a large portion of our prior investment in the process. Over the past decade, the tax dollars of every Oregonian (aka tax credits) have been invested to painstakingly build the infrastructure of our renewable energy industry at all levels. By making such severe cuts to the only funding source now available, we risk watching that publicly funded infrastructure crumble, piece by piece.

Responsible leadership requires a measured transition to a more stable renewable energy financing mechanism while protecting our prior public investment. Oregonians for Renewable Energy Policy (OREP) has long advocated for a more stable and cost-effective financing method that is not dependent on state tax moneys for renewable energy and conservation programs (www.OregonRenewables.com). It is the same funding tool Germany so successfully used to become the world's leader in solar energy and is the reason why Germany can now confidently declare it will shut all its nuclear plants by 2022. Ontario, Canada is also using the guaranteed pricing structure tool (aka feed-in tariff) to shut down all its coal plants by 2014 and has created over 43,000 jobs in its first year of the program.

While Oregon has begun limited experimentation with elements of this policy mechanism, the Solar Pilot Program is far from being a usable alternative for the industry at this time and will not be ready until 2014 at the earliest. Thus in drastically eliminating tax credits for renewable energy we risk shutting down major parts of the industry we have paid to build, without offering any alternative financing mechanism to pay for clean energy generation.

We ask that House and Senate leaders work to create a financial bridge to keep the industry alive and also preserve our prior public investment in a clean energy industry and infrastructure by maintaining a reasonable level of funding until we have an alternative funding source in place.

Please act to preserve our public investment and continue Oregon's progress toward a 100% sustainable energy future.

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Oregonians for Renewable Energy Policy