



Alternative Energy Report

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Power Politics

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Renderell: "I don't think the severance tax is in the mix..."

Governor Rendell on Monday said that the proposed tax on natural gas extracted from Pennsylvania wells has lost legislative support, and said, "We're going to go slow on the severance tax, so I don't think the severance tax is in the mix for this year."

House and Senate Republicans, along with many Democrats, seem to be more attuned to a plan that would raise revenues with leasing state lands for natural gas production. Proponents of the severance tax had estimated it would yield \$100 million in its first year.

Despite the Governor's statements, House Democrats are still hoping to pursue the idea of a severance tax. House spokesman Brett Marcy said the gas companies have the resources to pay for their start-up costs. "There's no way they're going to turn away from this potential gold mine," he said.

The state's major natural gas development companies have asked legislators and the Administration to allow the industry a chance to develop before assessing new fees or taxes. It appears that some additional tax will be part of a future revenue plan, but that the votes just are not there for such a funding mechanism in the 2009-2010 "budget cycle."

This is only one unresolved issue as part of the budget negotiations, as the Conference Committee resumed for two-hours on Tuesday. The session did little to reduce the roughly \$500 million in spending difference between the two sides.

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Ag Department Certifies Infrastructure; B2 mandate in effect May 1, 2010

Late last week, the Pennsylvania Department of Agriculture certified that there is sufficient infrastructure in place in the Commonwealth to support a statewide B2 biodiesel mandate for on road diesel fuel, and established a May 1, 2010 date for enforcement of the mandate.

The report was the result of more than six months of stakeholder meetings, interviews, surveys, and public hearings held by the Department, in conjunction with PennDOT and the DEP. The report notes that there are currently ten biodiesel production facilities located in Pennsylvania, and that these facilities have a production capacity of 110 million gallons. According to the Department's report, the facilities are in a position to deliver B100 to all pipeline terminals for blending, and have the ability to blend fuels at their facilities to serve local markets. Rail infrastructure is in place to transport fuels to terminals with rail capability.

As part of the certification effort, Transportation Secretary Allen Biehler certified that the road and rail infrastructure in the state was "sufficient and prepared" for transport of biodiesel from production facilities to terminals, blenders and retail outlets.

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First Awards Under Tax Credit Program Include Two PA Wind Projects - Or Do They?

Two projects in Pennsylvania were among 12 projects that received approvals this week under the ARRA tax credit program. New York-based EverPower's Highland Wind Farm, in Salix, PA will receive a total of \$42,204,562; and Spanish wind company Iberdrola Renewable, which developed the Locust Ridge II, LLC Wind Project in Shenandoah, PA will receive a total of \$59,162,064.

"These investments allow Pennsylvania's energy companies to move ahead with projects that not only provide clean, renewable energy...but also to create and retain family-sustaining jobs and expanding Pennsylvania's green economy," Governor Rendell said.

But while PA-ERG was initially pleased that two Pennsylvania projects were among the first to receive these funds, we were disappointed to learn that, contrary to the Governor's projection, the tax credit cash will be spent creating jobs in other states. While the money was designated for Locust Ridge II, spokesmen for Iberdrola told the Pottsville Republican Herald that the money will actually be used for wind turbine projects in Illinois, Arizona, North Dakota, Oregon and Texas.

In addition, the first one-sixth of the available funds have just been distributed to only 12 projects nationwide. And projects developed by Iberdrola and its subsidiary PPM, accounted for six of the 12 projects and \$294 million of the first \$502 million from the program for projects in PA, Texas, Oregon and Minnesota. This has raised some concerns here, and eyebrows elsewhere, about how many projects will actually benefit from this program as well as how many large companies will benefit as opposed to companies which could use the funds to jump start commercial operations.

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Carbon Markets - Senate Debates Regulation

By: John Nikoloff, President of Energy Resources Group

The proposed cap and trade policy designed to reduce carbon emissions in the U.S. is raising concerns among some members of the U.S. Senate over how the resulting carbon markets would be operated. Experience with other commodities, such as the extreme volatility created in oil, corn and soybean prices in recent years, has led to these concerns.

Could large financial institutions bid prices away from reality and create economic harm by speculation, or could development of new derivatives generate the potential for a new financial crisis, as suggested by some Senators?

Anytime a new commodity market is established, it only makes sense to install basic safety standards to prevent abuse. The carbon markets in Europe have not shown a clear path for success, and the incipient markets in the U.S. have demonstrated limited success and little cohesiveness to date.

Click [here](#) to read the remainder of this blog at ERG's Power Politics.

Senate Confirms PEDDA Board Members

Last week, by a 47-0 vote, the State Senate confirmed the following individuals as members of the Pennsylvania Energy Development Authority:

- Gibson C. Armstrong, Lancaster
- Laureen M. Boles, Philadelphia
- Virginia L. Brown, Philadelphia - reappointment
- Sara M. Hetznecker, Malvern
- Bernie M. Lynch, Pittsburgh
- Robert G. Sanders, Philadelphia

- Michael D. Welsh, McMurray

The next PEDAs board meeting will be held on October 14 in Room 105 of the Rachael Carson Building, 400 Market Street, Harrisburg.

Advanced Energy Manufacturing Tax Credit Application Deadline Approaching

Clean tech companies hoping to capitalize on the 30% Advanced Energy Manufacturing Tax Credit (48C) for re-equipping, expanding, or establishing a manufacturing facility must submit a preliminary application for Department of Energy (DOE) recommendation by September 16, 2009. The federal government has allocated \$2.3 billion for this credit. If the limitation is reached during the first allocation round (2009-2010), then no further credit will be permitted.

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GRANTS

NEW PA DEP Grant Program Available for Renewable Energy Projects

PA Green Energy Works!, offers up to \$52 million for shovel-ready solar, biogas, and combined heat and power projects will be available for businesses, non-profit organizations, colleges or universities, local governments, and economic development organizations. Funding for the program is provided through the American Recovery and Reinvestment Act, being passed through the PADEP.

The draft guidelines for PA Green Energy Works!, which can be accessed on the ERC website, anticipate a grant application submittal deadline of October 16, 2009 for solar projects, with deadlines for biogas and heat/power projects still to be determined. The DEP expects that the program will open for applications in early September, following the review of recommendations and public comments.

Comments on the draft guidelines can be sent to epapagreenenergy@state.pa.us or DEP's Office of Energy and Technology Development, P.O. Box 2063, Harrisburg, PA 17105-8772.

Tax Credit Available for Alternative Energy Production Projects

The Alternative Energy Production Tax Credit Program, which provides a tax credit of 15 percent of the net cost of alternative energy production projects incurred between July 9 and Dec. 31, 2008. Types of eligible projects include solar, wind, geothermal, biologically derived methane gas, fuel cells, biomass and coal methane. There is a limit of \$1 million per applicant and \$5 million for the program. Should the amount of approved tax credits exceed the limit, all tax credits will be pro-rated. Interested parties must apply for the tax credit by Sept. 15.

The application package including guidance, instructions and application forms is available by clicking [here](#). The application package is also available by contacting the Department of Environmental Protection, Office of Energy and Technology Deployment, 15th Floor, Rachel Carson State Office Building, 400 Market St., P. O. Box 8772, Harrisburg, PA 17105-8772, (717) 783-8411. Applications for projects must be mailed and received or postmarked by Sept. 15.

EVENTS

[World Green Energy Symposium and Exposition](#), September 13-15, Wilkes-Barre

The 2009 World Green Energy Symposium will showcase new, alternative, sustainable and innovative product development and green energy opportunities for businesses and the consumer at large. The Symposium's focus will include current policy information, new policy ideas and world policy views. It will focus on green technology options available and already succeeding as well as opportunities for networking, learning, exchanging, exhibiting and investing in the future

of the new energy and green technology.

[Pennsylvania Renewable Energy Festival](#), Sept. 18-20, Kempton

Annual three-day September festival for renewable energy, green building, sustainable agriculture.

[The Pennsylvania Natural Gas Summit: Planning for Progress -- Infrastructure and Water in the Marcellus Shale](#), November 16-18, State College, PA

This summit will provide a forum to discuss and identify water, infrastructure, local government, legal and business issues, and impacts related to Marcellus Shale development in communities and regions.

This event is specifically for attorneys, legislators, legal authorities, county and municipal elected officials, planning officials, and members of county or community task forces, chambers of commerce, industry representatives, and community groups. To register, or for more information, visit www.program.psu.edu/natural-gas or call 800-PSU-TODAY (778-8632).

[Renewable Energy World Conference & Expo](#), Austin, TX, Feb. 23-25, 2010

[WINDPOWER 2010 Conference & Expo.](#), Dallas, TX, May 23-26, 2010

NEWS CLIPS

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