



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Grassley
Committee Consideration of the Energy Policy Tax Incentives Act of 2005
Thursday, June 16, 2005

On Tuesday, June 14th, I put forward the chairman's mark on the Energy Policy Tax Incentives Act of 2005. This mark was a bipartisan product formulated with Senator Baucus, after consultation with all members of the Finance Committee. This package, once reported out of the Finance Committee, will be offered as an amendment to the underlying energy bill. In my estimation, the Energy Policy Tax Incentives Act reflects a fair balance of the interests of the members and effectively supports the development of energy production from renewable and environmentally beneficial sources. I'd like to briefly describe these tax incentives that will become part of the energy bill. For years, I have worked to decrease our reliance on foreign sources of energy and accelerate and diversify domestic energy production. I believe public policy ought to promote renewable domestic production that uses renewable energy and fosters economic development.

Specifically, the development of alternative energy sources should alleviate domestic energy shortages and insulate the United States from the Middle East-dominated oil supply. In addition, the development of renewable energy resources conserves existing natural resources and protects the environment. Finally, alternative energy development provides economic benefits to farmers, ranchers and forest land owners, such as those in Iowa who have launched efforts to diversify the state's economy and to find creative ways to extract a greater return from abundant natural resources.

Section 45 of the Internal Revenue Code currently provides a production tax credit for electricity produced from renewable sources including wind, biomass, and other renewables. The Energy Policy Tax Incentives Act extends the section 45 credit for three years. I have been a constant advocate of alternative energy sources. Since the inception 13 years ago of the wind energy tax credit, wind energy production has grown considerably. In addition, wind represents an affordable and inexhaustible source of domestically produced energy. Extending the wind energy tax credit through 2008 would support the tremendous continued development of this clean, renewable energy source.

The Finance Committee's amendment supports a maturing green energy source. Experts have established wind energy's valuable contributions to maintaining cleaner air and a cleaner environment. Every 10,000 megawatts of wind energy produced in the United States can reduce carbon monoxide emissions by 33 million metric tons by replacing the combustion of fossil fuels.

In addition, this proposal helps to empower our rural communities to reap continued economic benefits. The installation of wind turbines has a stimulative economic effect because it requires significant capital investment which results in the creation of jobs and the injection of capital into often rural economic areas.

In addition, for each wind turbine, a farmer or rancher can receive more than \$2,000 per year for 20 years in direct lease payments. Iowa's major wind farms currently pay more than \$640,000 per year to land owners, and the development of 1,000 megawatts of capacity in California, for example, would result in annual payments of

approximately \$2 million to farm and forest landowners in that state.

Environmentally-friendly biomass energy production is a proven, effective technology that generates numerous waste management public benefits across the country. The biomass definition covers open loop biomass. Open loop biomass includes organic, non-hazardous materials such as saw dust, tree trimmings, agricultural byproducts and untreated construction debris. The development of a local industry to convert biomass to electricity has the potential to produce enormous economic benefits and electricity security for rural America. In addition, studies show that biomass crops could produce between \$2 billion and \$5 billion in additional farm income for American farmers. As an example, over 450 tons of turkey and chicken litter are under contract to be sold for an electricity plant using poultry litter being built in Minnesota. This is a win-win; not only do the farmers not have to pay to dispose of this stuff, they get paid to sell the litter. You could find similar examples throughout the Midwest and other farm regions across America. Finally, marginal farmland incapable of sustaining traditional yearly production is often capable of generating native grasses and organic materials that are ideal for biomass energy production. Turning tree trimmings and native grasses into energy provides an economic gain and serves an important public interest.

I am very proud of a long history of supporting new alternative energy concepts in the production of electricity. The chairman's mark, as modified, continues that commitment. By using animal waste as an energy source, an American livestock producer can reduce or eliminate monthly energy purchases from electric and gas suppliers and provide excess energy for distribution to other members of the community.

Swine and bovine energy is truly green electricity, as it also furthers environmental objectives. Specifically, anaerobic digestion of manure improves air quality because it eliminates as much as 90 percent of the odor from feedlots and improves soil and water quality by dramatically reducing problems with waste run-off. Maximizing farm resources in such a manner may prove essential to remain competitive in today's livestock market. In addition, the technology used to create the electricity results in the production of a fertilizer product that is of a higher quality than unprocessed animal waste.

The Energy Policy Tax Incentives Act is important to agriculture, rural economies and small business, and it is also important for domestic supply and energy independence. Rural America can play an important part in energy independence and domestic supply. In addition to the production of electricity, this amendment includes additional tax incentives for the production of alternative fuels from renewable resources. We continue the small producers credit for the production of ethanol. We continue the incentive for the production of biodiesel. Biodiesel is a natural substitute for diesel fuel and can be made from almost all vegetable oils and animal fats. Modern science is allowing us to slowly substitute natural renewable agricultural sources for traditional petroleum. It gives us choices for the future and it can relieve the strain on the domestic oil production to fulfill those important needs that agricultural products cannot serve.

Renewable fuels like ethanol and biodiesel will improve air quality, strengthen national security, reduce the trade deficit, decrease dependence on the Middle East for oil, and expand markets for agricultural products. The Energy Policy Tax Incentives Act amendment is a balanced package. I would like to note, with some satisfaction, that today we have the opportunity to do the people's business in the way they want us to do business. This energy tax incentives amendment was crafted in a bipartisan way on an important initiative in a way that reflects the diversity of our views and the diversity of our nation.