Fact Sheet

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Comparable Federal Incentives for Energy Innovation

Key Facts:

- As not-for-profit businesses, electric cooperatives cannot access certain energy innovation tax incentives available to other businesses designed to expand new technologies and clean energy deployment.
- Electric cooperatives need access to direct pay tax incentives that promote affordable, and reliable electricity including carbon capture facilities, renewables, storage, transmission and EV infrastructure.
- Electric cooperatives also need financing options, such as reinstating bond finance instrument for projects including carbon capture facilities, renewables, storage, transmission and EV infrastructure.

Background

Electric cooperatives work hard to meet today's energy needs and plan for the future, but often are handcuffed by the tax code and the high costs associated with implementing new technologies. Developing clean energy resources and innovative technologies carries significant capital expense. As non-profit businesses, electric co-ops pay state and local taxes, but most are tax exempt for federal income tax purposes. Because of this, electric cooperatives do not have access to the same federal tax incentives as for-profit businesses and are disadvantaged when implementing innovative technologies.

All costs incurred by the co-op are passed on to its consumer-members, including the construction and maintenance of electric generating facilities and transmission and distribution systems. Electric co-ops are making significant, regionally specific investments that are transforming their energy supply. From 2009 to 2019, the electric co-op renewable energy portfolio increased from 12% to 19% of generation, much of which occurred through power purchase agreements from for-profit energy companies. The potential for co-op investments in emerging energy sources could be enhanced if they have comparable incentives and receive the full value for the tax credits through the direct payment of tax credits.

Proposed Solution

Electric cooperatives should have access to the same incentives as their for-profit industry peers to promote energy innovation while keeping rates affordable for their consumer-members. Specifically, policymakers should:

- Allow co-ops to take advantage of energy tax incentives through direct pay tax credits to jumpstart carbon capture technology, install renewables and expand the deployment of battery storage systems.
- Reinstitute a bond program, such as the New Clean Renewable Energy Bonds, to provide low-cost financing for carbon capture, renewable energy production, energy storage and transmission projects.

Conclusion

Federal policies should incentivize innovative and sustainable energy technologies while avoiding increased costs for co-op consumer-members who can least afford to pay more for their energy. Electric cooperatives and public power providers make up approximately 30% of the U.S. electricity market and need comparable direct pay tax incentives to maximize investments in electric generation, transmission, distribution and storage technologies.

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