

# Renewables Energy Tax Benefits & Transaction Structures



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*Presented By*

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# The Renewable Space

- **Kyoto – US behind the world**
- **Rising Fossil fuel prices**
  - **Declining natural resource**
- **Solar, Wind, Biomass and Geo-Thermal**
- **Moral Imperative**



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# Incentives / Subsidies

- Federal Investment and Production Tax Credits
  - 30% ETC benefits available only to user (solar, fuel cells)
  - 10% ITC (qualified Micro-Turbines)
  - Production tax credits
    - **Closed-loop Biomass, Wind, geothermal @ 1.9 cents/KWh**
    - **Open-loop Biomass, LFG & Muni Solid Waste @ 0.9 cents/KWh**
  - Basis reduced by 50% of ETC
- State Rebates:
  - Performance based Incentives
  - Tax Credits
- Renewable Energy Credits – RECs
- **5 year MACRS depreciation**
  - Bonus depreciation this year



# Off Taker Issues

- Legal mandate – Utilities
  - Specific renewable requirements
- Political mandate
  - State run institutions
- Community Relations
  - Wal-Mart, Fed-ex
- Cost analysis
- Use of tax benefits - Structure
- Moral Imperative

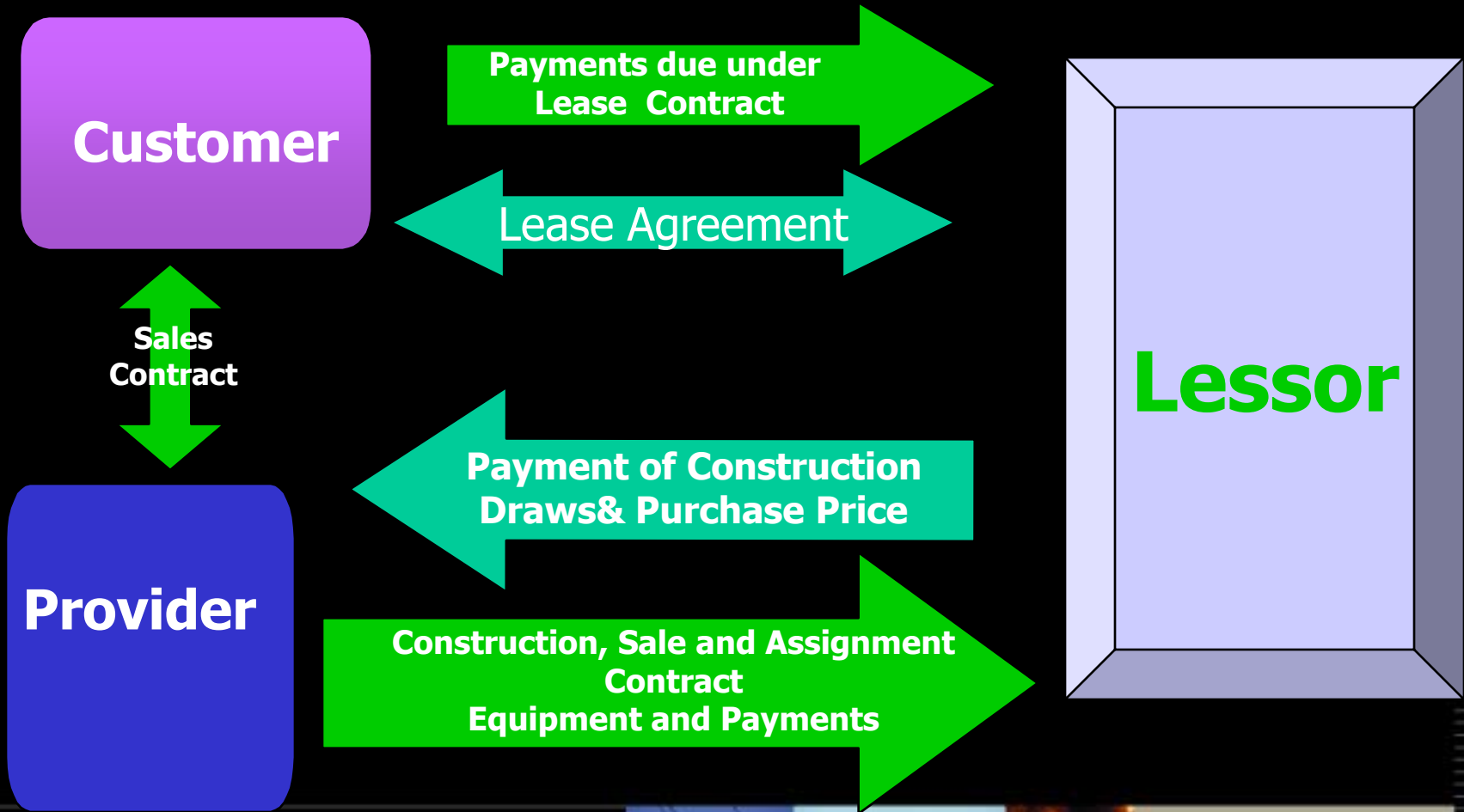


# Tax Lease Transaction Parameters

- Tax structure requirements:
  - Rents must NPV at less than 90% of cost
  - Fair market purchase option
  - Term must not exceed 75% of useful life
- Lessee must be a taxable entity\*
- Tax-exempt entities may be able benefit from properly structured commodity/services agreements



# Typical Tax-Lease/Operating Lease Structure



# Risk Parameters

- Construction Risk
- O&M Risk
- Off-Take Risk
- Documentation



# National City Energy Capital

- National City Bank - over \$150 Billion in assets and lease portfolio of over \$7.0 Billion
- Broad availability – commercial or municipal/federal entities
- Transaction sizes as low as \$750m
- Full spectrum of products
  - Construction
    - Loans/leases
    - PPAs
    - Flip Structures
  - Permanent



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**Thank You**

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