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## American Recovery and Reinvestment Act of 2009 Provides Additional Funding for Renewable Energy and Clean Technologies

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On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The Act contains significant direct spending programs, tax incentives, loan guarantee and bond programs to support the development of renewable and clean energy technologies. Some of the more important renewable energy and clean technology provisions in the ARRA include:

### *Direct Spending Provisions*

- Smart Grid Technology: ARRA provides \$4.5 billion, through matching grant and pilot project funding programs, for the development and deployment of "smart grid" technologies. The Act increases the amount of the matching federal grant to 50%.
- Advanced Battery Manufacturing: A total of \$2 billion in new grants is designated for projects involving the manufacture of advanced battery systems and components.
- Renewable R&D and Demonstration Projects: A total of \$16.8 billion is allocated for renewable energy and energy efficiency programs over the next 10 years. Of this amount, \$2.5 billion will support the US Department of Energy's (DOE) research, development and deployment activities, including those involving biomass (\$800 million) and geothermal (\$400 million) technologies.
- State Energy Program: ARRA directs \$3.1 billion, in the form of grants which do not require matching state funds, to state-administered energy programs.

### *Tax Incentives*

- Extension of the PTC: The Act provides a three-year extension of the Production Tax Credit for wind generation facilities through December 31, 2012, and for geothermal, biomass, hydropower, landfill gas, waste-to-energy and marine facilities through December 31,

2013.

- Extension of the ITC: Owners of wind, geothermal, biomass and other renewable technology projects that are eligible for the PTC may utilize the full 30% Investment Tax Credit that previously was available only to solar facilities, even if the project is financed by industrial development or other subsidized energy bonds.
- Grant Program: In lieu of claiming the ITC, the Act allows renewable energy project developers to apply for a grant from the Treasury Department equal to 30% of the cost of an eligible project that starts construction in 2009 or 2010.
- Advanced Energy Manufacturing Credit: The ARRA provides \$2 billion for energy- related manufacturing tax credits—applicable to facilities that make components used to generate renewable energy, storage systems for use in electric or hybrid-electric vehicles, power grid components, and carbon capture and storage equipment—at a rate of 30%.

#### *Loan and Bond Programs*

- Renewable Energy Loan Guarantee Program: ARRA includes a total of \$6 billion to support loan guarantees for renewable energy power generation and transmission projects. Up to \$500 million of this amount is allocated to innovative biofuels technologies that are capable of deployment on a commercial scale. To be eligible under this program, projects must begin construction by September 30, 2011.
- CREBs Funding: An additional \$1.6 billion is provided in the form of Clean Renewable Energy Bonds to finance wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable and trash combustion facilities. This funding will be divided equally (i.e., in 1/3 shares) among state and local governments, public power producers, and nonprofit utilities/electric cooperatives.

Most of the funding and other financial incentives available under ARRA are allocated to existing programs that are administered by the DOE. The DOE proposes to create a dedicated team to distribute these funds, and anticipates that it will start to award these funds in the next several months. In light of this aggressive timetable, renewable energy and clean technology companies with an interest in applying for these programs need to quickly familiarize themselves with the options applicable to their specific technology, and ensure that any required applications are filed with the DOE by the applicable deadline.

The text of the ARRA, and announcements from the DOE and other agencies regarding grant and funding opportunities, will be posted [here](#).

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*the traditional and alternative energy industries, uniquely position WilmerHale to expertly advise energy and clean technology companies on the opportunities that arise in connection with funding opportunities under the ARRA and existing DOE programs.*

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