

The Case for the Solar Investment Tax Credit

In Brief:

- The tremendous success of the Investment Tax Credit for solar energy projects exemplifies the importance of stable policy for the private sector and reveals a high return on public investment in solar energy in terms of economic benefits, domestic job creation, energy security and lower costs for consumers.
- The U.S. solar industry grew by 116 percent in the second quarter of 2012 over Q2 2011 and currently employs over 100,000 American workers. The price of a solar panel fell 51 percent since the beginning of 2011, and costs continue to fall.
- In the face of a sluggish economy, the ITC provides market certainty for industry to continue making long-term investments in solar energy projects, U.S. manufacturing facilities and supply chain expansion.

Background

The *Energy Policy Act of 2005* (P.L. 109-58) created a new 30 percent Investment Tax Credit (ITC) for commercial and residential solar energy systems that applied from Jan. 1, 2006 through Dec. 31, 2007. The ITC was extended for one additional year in December 2006 by the *Tax Relief and Health Care Act of 2006* (P.L. 109-432). In its first year of implementation, the ITC spurred unprecedented growth in the U.S. solar industry and led to the doubling of installed solar electric capacity by 2007. By then, global investment in clean energy topped \$100 billion, with solar energy leading all other clean energy technologies in venture capital and private equity investment.

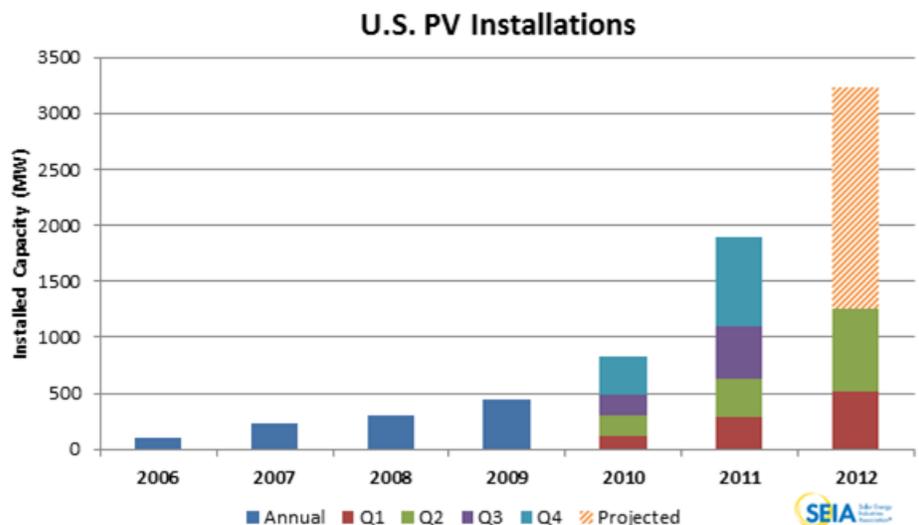
In 2008, Congress passed legislation on a bipartisan basis that provided an eight-year extension of the commercial and residential solar ITC. It also removed a \$2,000 monetary cap on the total credit that could be claimed by a homeowner installing a rooftop residential solar electric system. The bill also permitted utilities to use the credit, making solar energy more affordable for ratepayers.

The ITC Fuels Dramatic Growth in Solar Installations

The market certainty provided by a multiple year extension of the residential and commercial solar ITC has helped annual solar installations grow by over 1,600 percent since the ITC was implemented in 2006 – a compound annual growth rate of 76 percent.

Despite a difficult economy, cumulative solar electric capacity in the United States now exceeds 5,700 megawatts (MW), enough to power more than 940,000 average homes.

The industry installed 742 megawatts (MW) of solar photovoltaic (PV) capacity in the second quarter of 2012.



Growing U.S. Solar Manufacturing Capacity

The sharp growth in project installations after passage of the ITC jump-started U.S. solar manufacturing. For example, the number of PV manufacturing facilities more than doubled following the passage of the ITC. Expansion in 2011 resulted in major new facilities coming online in Tennessee, Michigan, Indiana, Colorado and Mississippi.

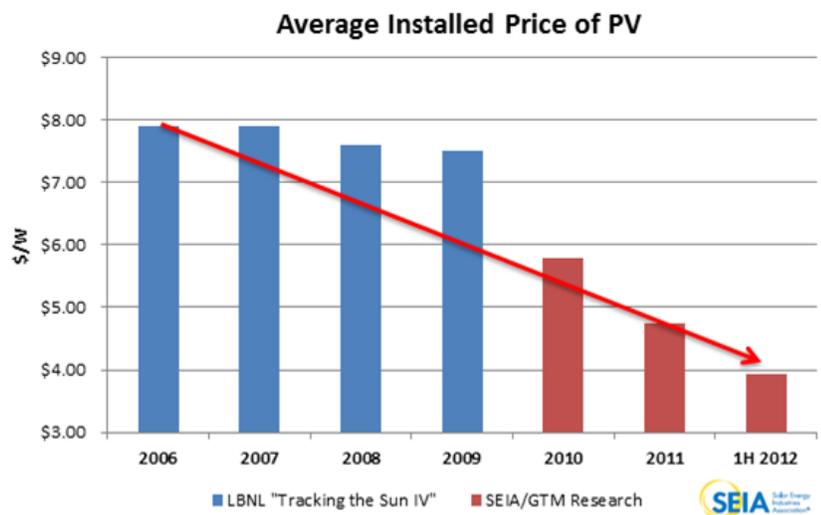
Today, over 625 manufacturing facilities produce solar panels, racking systems and other components across 48 states.

The Falling Cost of Solar for Consumers

Since the beginning of 2011, the price of solar panels fell by 51 percent, and costs continue to fall.

Significant cost reductions occurred in just the last three years with the scaling up of demand and manufacturing capacity. In 2009, the average installed cost was approximately \$7.50 per watt. In 2011, the overall average installed cost was \$4.75 per watt. But the downward trend in cost continued throughout 2011 so that by the end of the year, the average dropped precipitously to \$4.08 per watt for Q4 2011.

The existence of the ITC through 2016 provides market certainty for companies to develop long-term investments in manufacturing capacity that drive competition and technological innovation, which, in turn, lowers costs for consumers.



An Engine for U.S. Job Creation and Growth

Due in large part to the availability of a multi-year ITC, the solar industry grew by over 116 percent in Q2 2012 over the second quarter of 2011, making it one of the fastest growing industry sectors in the U.S. economy. Today, the solar industry supports over 100,000 American workers in all 50 states.

Like all energy industries in the U.S. economy, stable federal policy for the solar industry allows small and large businesses to make investment and hiring decisions with confidence. This certainty ensures a greater return for taxpayers, as supply chain partners recognize long-term market opportunities and scale up manufacturing capacity. Growth in the competitive solar industry continues to drive innovation and cost reductions that lead to lower prices for consumers.

About the Solar Energy Industries Association®

Established in 1974, the Solar Energy Industries Association is the national trade association of the U.S. solar energy industry. Through advocacy and education, SEIA® and its 1,000 member companies are building a strong solar industry to power America. As the voice of the industry, SEIA works to make solar a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy.

For more information, please visit www.seia.org.