

# Energy issues in 'cliff' compromise

## THE JOURNAL RECORD

For months, our country has careened toward the so-called fiscal cliff with seemingly no one branch of government's leader behind the wheel.

Much of the anticipation about the "cliff" was focused on the outcome of the presidential election, as an indication of the probable outcome. But alas, even though President Barack Obama was re-elected and Democrats gained seats in both the Senate and House, our country retained a divided government, with Republicans holding the majority of the House. Since that outcome through last week, a high-stakes game of Washington intrigue played out, causing jittery markets, corporate and tax confusion toward the start of the new year and consumer angst about household incomes.

The ultimate compromise, first approved by the Senate, then by a majority of the House (mostly Democrats), has answered the question of tax rates and the idea that America's top earners will be paying more in future income taxes. Other issues like the Social Security payroll tax increase will affect the rest of us, but if you dig deeper into the final outcome (154 pages of the American Taxpayer Relief Act of 2012) you will see other likely winners in the energy sector.

Included in the final bill is an extension of a renewable electricity production tax credit for wind, geothermal and some biomass projects, which gives credit for each kilowatt-hour of energy that each form of generation produces. The wind industry has been in flux for many months and years as the expiration of this tax credit was threatening any further development, even in wind-rich states like Oklahoma.

For the past few years, the American Wind Energy Association,

the national trade association headquartered in Washington, has been led by our state's own Denise Bode. Her departure from AWEA in December raised even greater concern about the likelihood of success for the industry to extend this credit, which some say is necessary for the economics of wind development. The credit, which offers 2.2 cents per kilowatt-hour of wind power production, had technically expired when the final deal was reached Tuesday.

The newly approved tax credit is slightly different than the old. It has been expanded to cover wind projects that began construction in 2013 – not only projects that are up and running, which had been the requirement of past credits.

Congress has also extended credits for residential energy efficiency improvements, energy-efficient new home construction projects, plug-in electric vehicles, a credit for electric scooters and the production of various biofuels. This includes one project with algae, which has been the subject of extensive research in America.

Even more traditional energies were winners in the final bill, including a \$2-per-ton subsidy for coal produced on Native American lands. Also, the electric and natural gas industries kept dividend tax rates on par with capital gains taxes, hopefully meaning that the consumer is insulated from regressive tax treatment that would have driven up costs in their utilities and beyond.

So all in all, an interesting process, for sure, but let's hope adult behavior continues as our country faces the credit-debt ceiling issue and the budget negotiations affecting taxes and entitlements in the months ahead. Can you tell that my new year's resolutions include being an optimist? Happy new year.

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