



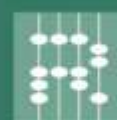
Recent Climate Change Proposals Likely to Have Wide-Ranging Effect on Reznick Clients

WHITE PAPER

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| RENEWABLE ENERGY |



**Reznick
Group**

ACCOUNTING · TAX · BUSINESS ADVISORY

Update: House Energy Bill Deadline Approaching, RPS Passes Senate Energy Committee - The energy and climate legislation continues to be debated in the U.S. House of Representatives. Last week, House Speaker Pelosi advanced a June 19 deadline for mark up of the bill. However, after a closed door meeting, the House Ways and Means Committee still cannot come to a consensus on climate change details. Chairman Rangel says that he will continue to work on the committee's contribution to meet Pelosi's deadline. The bill is also scheduled to go through several other House committees including Agriculture. It is unclear if the Ag committee can meet the June 19 deadline. Energy and Commerce Chairman Waxman still insists that the full House debate the bill before the July 4 recess with the hope of moving the bill out of the House by the August recess.

In the Senate, the Energy and Natural Resources Committee began mark up of the renewable electricity mandate last Thursday. The renewable electricity standard title would require that 15 percent of U.S. electricity come from renewable sources such as solar and increased energy efficiency by 2021. An amendment included in the RPS mark up would create a low-interest loan program to finance renewable energy projects. This mandate will most likely be merged with a cap and trade bill that the Environment and Public Works committee will offer. SEIA continues to push for the inclusion of solar thermal in the RPS and increases to the overall RPS target to deploy a broad portfolio of renewable technologies including solar.

Administration and congressional Democratic leaders have made climate change legislation a high priority this legislative session. The Obama administration's general budget proposed a so-called "cap-and-trade" system intended to reduce greenhouse gas emissions and provide for emission allowances to be sold via auction. In addition, a number of other members of the House Ways and Means Committee have separately introduced bills that would provide for the taxation of the carbon content of fossil fuels.

According to estimates, such climate change legislation at the federal level might raise in excess of \$1 trillion over a 10 year period. Proposed uses for this revenue include relief for lower-income households and others in affected industries, possible business tax cuts, and increased investment in clean technology. It is generally agreed that either a cap-and-trade or a carbon tax system would increase energy costs for U.S. businesses and consumers, raise prices on high energy use products, as well as adversely affect U.S. international competitiveness in the manufacturing sector.

What follows is a brief overview of the 932-page bill from the perspective of how it might affect Reznick Clients. However, given the number of diverse clients of the firm, and the largely speculative nature of any actual impacts, what follows is only a sampling of the possible impacts and opportunities that such legislation might trigger.

The Waxman-Markey Cap-and-Trade Bill: Overview

On May 21, House Energy and Commerce Committee passed H.R. 2454, known as the American Clean Energy and Security Act of 2009. This bill includes a so-called "cap-and-trade" system for limiting greenhouse gas emissions.

Compared with the original Obama administration's proposal, the Waxman-Markey bill would set as a goal the reduction of greenhouse gas emissions by 17 percent from their 2005 levels by 2020. The bill provides emission allowance requirements based on either actual greenhouse gas emissions or potential emissions from combustion of carbon-based fuels, with compliance obligations imposed on petroleum-based liquid fuel producers and importers, natural gas distributors, electricity generators, and some industrial stationary sources.

Other Carbon Tax Bills

An alternative to the Waxman-Markey Bill were bills offered to tax CO₂ and other greenhouse gas emissions or the fuels that release CO₂ when it's burned.

On January 15 Ways and Means Committee members Fortney Pete Stark, and Jim McDermott, introduced the Save Our Climate Act of 2009 (H.R. 594), which would impose a \$10 per ton tax (including annual increases) on the carbon content of any taxable fuel sold by a manufacturer, producer, or importer. In March, John Larson, senior member of the Democratic House leadership also introduced the America's Energy Security Trust Fund Act of 2009 (H.R. 1337), under which the government would impose an excise tax of \$15 per ton (including annual increases) on primary fossil fuels. The tax would be based on carbon content and proposed using the revenue from the tax for payroll tax cuts, clean energy projects, and industry assistance with respect to the reduced carbon transition.

Which to Choose: Cap-and-Trade Rules or Carbon Tax?

Under a cap-and-trade regime, the federal government distributes (either free of charge or by auction) a fixed number of "allowances" to emit CO₂ and the private sector market determines the price of the allowances. This is compared to a carbon tax that sets the price of CO₂ emissions while the marketplace determines the level.

To mitigate some of the issues associated with cap and trade (such as volatility), some support a hybrid approach where various mechanisms are used to reduce price volatility of emission allowances, causing the system to more resemble a carbon tax. Some elements of this are reflected in the current Waxman-Markey bill.

Macro-Economic Impacts

Expected Impact on Energy Prices

Both cap-and-trade and carbon tax systems are expected to increase energy costs for U.S. businesses and consumers. Different fossil fuels generate different levels of CO₂ emissions. The price of coal could increase most significantly, by 68 percent on average, while gasoline prices could increase by an estimated 7 percent.

Expected Impact on Manufactured Goods

A \$15-per-ton carbon tax is estimated to increase consumer prices for electricity, gasoline, home heating oil, and natural gas by between 3 percent and 7.5 percent.

Assuming a full cost pass through at each stage of the production process, the tax is projected to increase consumer prices of manufactured products by an average of less than 0.5 percent in general.

The prices of new automobiles and household appliances are estimated to increase by more than 0.5 percent.

Ultimately, cost increases attributable to climate change policy likely would be passed through to consumers in the form of higher prices.

Expected Impact on Manufacturing Industries

At \$15 per ton of CO₂ emissions, direct manufacturing costs (including the cost of fuels and electricity but not other materials) could increase by an average of 0.4 percent across all industries, assuming no change in production processes.

All of the above numbers are clearly subject to debate and question.

Micro-Economic Impacts

What follows next is our commentary on various aspects of the Waxman-Markey (Cap and Trade) bill which might have particular impacts on Reznick clients over and above the expected cost increases for energy and other purchased goods. The carbon tax provisions are not discussed below. As such, what follows is a brief overview of the 932-page Waxman-Markey bill.

As stated above, given the number of diverse clients of the firm and the largely speculative nature of any actual impacts, what follows is merely a sampling of the possible impacts and opportunities that such legislation might trigger.

The following are arranged by reference to the actual bill.

TITLE II – ENERGY EFFICIENCY

Subtitle A – Building Energy Efficiency Programs

Section 201, Greater Energy Efficiency in Building Codes: Amends the Energy Conservation and Production Act to require the Secretary of Energy to support consensus code-setting organizations to establish building codes achieving 30% and 50% higher energy efficiency targets in 2010 and 2016, respectively, to establish codes directly if such organizations fail to do so, to include cool roofs standards, and to support state and local adoption of such advanced codes by supporting training and funding for energy efficiency code enforcement.

Comment: This will most likely affect clients in the construction and development of real estate. Changes to building codes may entail increased costs, additional education and possible rebidding of jobs previously bid and not yet built.

Section 202, Building Retrofit Program: Establishes a program under which the Administrator of EPA, in consultation with the Secretary of Energy, supports development of standards and processes for retrofitting existing residential and nonresidential buildings. Authorizes the Secretary of Energy to provide funding to states to conduct cost-effective building retrofits, using local governments, other agencies or entities to carry out the work, through flexible forms of financial assistance up to 50% of the costs of retrofits, with funding increasing in proportion to efficiency achievement. **Also supports retrofits of historic buildings.**

Comment: This directly pertains to our clients – including retrofits of historic buildings. It is unclear the precise nature of this funding (i.e. how such funding would be classified for federal income tax purposes). As such, careful attention must be paid, especially in cases where other tax benefits are at play, i.e., low income housing or historic rehabilitation tax credits to ensure that such funding would not materially impact the other federal or state tax benefits generally incorporated in the project. If structured as a grant, project owners may be forced to reduce QREs in historic buildings, reducing the credits available. Also, because buildings need to remain in their historic nature to qualify for credits, clients need to make sure that incorporating energy efficiency will not jeopardize the historic nature of the building.

Section 203, Energy Efficient Manufactured Homes: Establishes a program to provide federal rebates of up to \$7,500 toward purchases of new Energy Star-rated manufactured homes for low-income families residing in pre-1976 manufactured homes.

Comment: What qualifies as a “Manufactured Home” is relevant.

Section 204, Building Energy Performance Labeling Program: Establishes an EPA program to develop procedures to label buildings for their energy performance characteristics, using building type and consumption data to be developed by the Energy Information Administration. The program would be

implemented by states in a manner suited to increasing public knowledge of building energy performance without hindering real estate transactions.

Comment: Unclear whether this would actually not hinder real estate transactions or what additional burdens it might entail. Per the Act, it appears to place the burden of building labeling either on the seller prior to execution of a sales contract or on the buyer after the sales transaction is completed.

Subtitle B – Lighting and Appliance Energy Efficiency Programs

Section 213, Appliance Efficiency Determinations and Procedures: Amends the Energy Policy and Conservation Act to improve the Department of Energy process for setting energy-efficiency standards by enabling adoption of consensus testing procedures; requiring the adoption of a new television standard; improving standard-setting cost-effectiveness formula; authorizing the Secretary to obtain product-specific information as needed; authorizing state injunctive enforcement of standards violations; **changing the role of appliance efficiency in building codes**; and including greenhouse gas emissions, smart grid capability, and availability of more-efficient models among factors affecting efficiency standard ratings.

Comment: Changes in building codes may affect our clients. It is unclear whether this will result in increased costs or have other material effects as it relates to the covered items.

Section 215, Purpose of Energy Star: Provides “Purpose” section for Energy Star provisions clarifying that Energy Star products must be cost-effective, recovering incremental purchase price in expected energy savings during a 3-5 year period.

Comment: For owners/landlords, such required standards may improve cash flows assuming cost is recovered as quickly as the legislation anticipates.

Subtitle D – Industrial Energy Efficiency Programs

Section 242, Electric and Thermal Energy Efficiency Award Programs: Creates an award program for innovation in increasing the efficiency of thermal electric generation processes, including encouragement for utilities to capture and separately market excess thermal energy.

Comment: Money would be awarded to owners and operators of new and existing electric generation facilities or thermal energy production facilities that use fossil fuel. This money is to encourage recovery of thermal energy. These awards may be up to the value of 25% of the recovered energy during 5 years. In addition, loans to provide initial capital for new businesses involving the sale of recovered thermal energy will also be available.

Section 243, Clarifying Election of Waste Heat Recovery Financial Incentives: Clarifies Section 451 of the Energy Independence and Security Act of 2007 to ensure that those who recover waste energy can elect to receive the incentive grants provided in that section, or tax credits provided for combined heat and power, but not both.

Comment: May provide additional opportunities of existing owners/developers of energy projects.

Subtitle E – Improvements in Energy Savings Performance Contracting

Section 251, Energy Savings Performance Contracts: Amends the National Energy Conservation Policy Act to establish competition requirements for specific energy savings performance contract task orders.

Comment: Unclear the extent to which the represents an opportunity for other than those looking to enter into and ESPC to obtain savings.

Subtitle G – Public Institutions

Section 261, Public Institutions: Amends the Energy Independence and Security Act to include **nonprofit hospitals and public health facilities** among public institutions eligible for grants and loans and clarifies loan and cost-share conditions.

Comment: New opportunity for those institutions and those clients providing services to them.

Section 262, Community Energy Efficiency Flexibility: Amends the Energy Independence and Security Act to remove limits on funds received by communities through the Energy Efficiency and Conservation Block Grant program that can be used to fund revolving loan accounts or through sub-grants for purposes of the program.

Comment: Potential new opportunity for those communities and those clients providing services to them.

Section 263, Small Community Joint Participation: Amends the Energy Independence and Security Act to allow small communities to join with other neighboring small communities in a joint program of sufficient size to be defined as an eligible local government recipient under the Energy Efficiency and Conservation Block Grant program.

Comment: New opportunity for those communities and those clients providing services to them.

Section 264, Low-Income Community Energy Efficiency Program: Authorizes grants to private, nonprofit, mission-driven community development organizations including community development corporations and community development financial institutions to provide financing to businesses and projects that improve energy efficiency, develop alternative, renewable, and distributed energy supplies, promote opportunities for low-income residents, and increase energy conservation in low income rural and urban communities.

Comment: Potential new opportunity for clients in the low income housing sector. It is unclear how such program would impact low income housing transactions or projects. The nature and tax treatment of such grants would need to be carefully analyzed to determine its true economic value. If structured as a grant, this may result in reduced housing credits. Also, if residents receive a check, will that constitute income for determining whether they qualify as “low income” tenants?

TITLE I – CLEAN ENERGY

Subtitle A – Combined Efficiency and Renewable Electricity Standard

Section 101, Combined Efficiency and Renewable Electricity Standard: Amends the Public Utility Regulatory Policies Act to require **retail electric suppliers** — defined as utilities that sell more than **4 million megawatt hours (MWh)** of electricity to consumers for purposes other than resale — to meet a certain percentage of their load with electricity generated from renewable resources and electricity savings.

Comment 1: Because “retail electric suppliers” are defined as utilities that sell more than 4 million megawatt hours of electricity, this appears to directly apply only to big utilities. However, because other provisions of the bill apply to owners of certain energy related property, the rules in this Bill may apply to those involved in energy efficiency, renewable energy, or power purchase transactions. As such, directly or indirectly, the bill appears to affect us all, either as a consumer or business.

Comment 2: Title I, Subtitle A, section 101 amends Title VI of the Public Utility Regulatory Policies Act of 1978 Section 610(a)(22) by defining “third party efficiency provider” to include “any retailer, building owner, energy service company, financial institution, or other commercial industrial or nonprofit entity that is capable of providing electricity savings...”

Comment 3: This section of the Act also specifically concerns combined heat and power (CHP) and fuel cells. Our clients in the renewable energy sector dealing with these technologies should be aware of their inclusion. Other provisions of this same section define “renewable electricity” to include electricity generated by a fuel cell from a “renewable energy resource”.

The Bill defines **renewable energy resources** to include wind, biomass, solar, geothermal, certain hydropower projects, marine and hydrokinetic renewable energy, and biogas and biofuels derived exclusively from eligible biomass. Other qualifying energy resources include landfill gas, wastewater treatment gas, coal mine methane, and qualified waste-to-energy. An electric supplier's requirement is **reduced in proportion to any portion** of its electricity sales that is generated from certain existing hydroelectric facilities, **new nuclear generating units**, and fossil-fueled units that capture and geologically sequester greenhouse gas emissions.

Comment: Including “New” Nuclear is the “sleepers.” Because new nuclear generation may enable a retail electric supplier to meet the requirements of the bill, Reznick clients in the renewable energy sector may see renewable energy opportunities diminish as new nuclear projects come on line. However, this may take some time, and thus current business opportunities in the renewable energy sector are likely to increase upon enactment of the bill in its present form.

The Bill requires retail electric suppliers to submit Federal renewable electricity credits and electricity savings each year equal to the combined target for that year times the supplier's retail sales. **One** renewable electricity credit (REC) is given for each Mega Watt Hour (MWh) of electricity produced from a renewable resource. **To encourage greater deployment of distributed generation, like small wind and rooftop solar, these projects are eligible for three credits for each MWh produced.** Retail electric suppliers may submit, in lieu of a renewable electricity credits and demonstrated electricity savings, an alternative compliance payment equal to \$25 per credit (2.5 cents per kilowatt hour).

Comment: To the extent that those required to meet the Bill's standards prefer to use this REC multiplier, greater opportunities may exist in the renewable energy generation sector. Furthermore, and in general, because of the mandates imposed by this bill, renewable energy owners and developers should experience greater profits/income from the sale of such RECs. Accordingly, as a source of revenue/capital to the seller of RECs, it should get easier to finance and operate more profitable renewable energy or energy efficiency projects, especially in combination with other benefits such as tax credits and other forms of federal, state, local or utility based incentives

CAUTION: Some speculate that because the Waxman-Markey Cap and Trade rules would literally mandate compliance, the need/reason for federal renewable energy credits could lapse as the forced mandate replaces voluntary incentives such as tax benefits. As such, those relying on tax benefit investment or those interested in such investments may experience a contraction or see the death of such incentives. Clients in such a business could experience a profound change in the nature and opportunities available to them in their traditional line of business. It's unclear how dramatically such businesses would need to adapt.

Under the Bill, electric suppliers choosing to use efficiency for a portion of their compliance are required to demonstrate achievement of electricity savings relative to business-as-usual projections through efficiency measures, including savings achieved through reductions in end-use electricity consumption attributable to equipment or facility upgrades, combined heat and power, and energy recycling (waste heat recovery). Electric suppliers may meet the efficiency standards either by achieving electricity savings directly or by using bilateral contracts to purchase savings achieved by other suppliers or distribution companies, states, or third-party efficiency providers.

Comment: Economic opportunities are expected to increase for those clients falling into the description of “other suppliers or distribution companies, states, or third-party efficiency providers.”

Subtitle B – Carbon Capture and Sequestration

Section 111, National Strategy: Requires the EPA Administrator, in consultation with the heads of other relevant federal agencies, to submit to Congress a report setting forth a unified and comprehensive strategy to address the key legal and regulatory barriers to the commercial-scale deployment of carbon capture and sequestration.

Comment: Once these barriers are clarified or reduced, existing federal tax benefits for carbon sequestration may be more readily utilized as a source of project finance, along with energy related development, assuming that the cap and trade system would not supplant tax benefit based incentives as outlined above.

Subtitle C – Clean Transportation

Section 122, Large-Scale Vehicle Electrification Program: Authorizes the Secretary of Energy to provide financial assistance for regional deployment and integration of grid-connected vehicles. Funds may be used for offsetting the incremental cost of purchasing new plug-in electric drive vehicles, deployment of electric charging stations or battery exchange locations, or facilitating the integration of smart grid equipment with plug-in electric drive vehicles.

Comment: The bill requires electric utilities to develop a plan to support electric vehicles. In order to comply, public utilities may be forced to rely on owners of parking garages, parking lots, and dwelling units to provide them with the physical space to install such equipment. To the extent clients owning real estate with parking facilities on the premises, funds may be available to them to install or retrofit such parking facilities to meet the standards imposed by the bill. Those in the transportation business may also realize opportunities and burdens.

Subtitle D – State Energy and Environment Development Accounts

Section 131, Establishment of SEED Accounts: Creates a program for each state to establish a State Energy and Environment Development (SEED) Account, to serve as a state-level repository for managing and accounting for all emission allowances designated primarily for renewable energy and energy efficiency purposes.

Comment: It's not clear the extent to which Reznick business clients other than renewable energy or energy efficiency clients (e.g., real estate owners) could generate emissions allowances in their day-to-day business. However, to the extent they do, they would appear to be subject to the SEED accounting regime and it is unclear how burdensome this regime might be if it was perceived to be an income producing opportunity for the client.

Section 132, Support of State Renewable Energy and Energy Efficiency Programs: Distributes emission allowances among states for energy efficiency programs and renewable energy deployment and manufacturing support. At least 12.5% of the allowances are distributed to local governments for these purposes.

Comment: Those clients in the public sector or those involved with the public sector may be impacted. Impact is unknown. However, to the extent that such allowances would allow public sector members to defer investing in energy efficiency or renewable energy, opportunities for real estate energy related development may remain stagnant.

Subtitle E – Smart Grid Advancement

Section 144, Smart Grid Peak Demand Reduction Goals: Requires the Federal Energy Regulatory Commission to coordinate and support a national program to reduce peak electric demand for load-serving electric utilities with peak loads in excess of 250 megawatts.

Comment: This should create a large number of renewable energy development opportunities in these service areas.

Subtitle F – Transmission Planning

Section 151, Transmission Planning: Amends the Federal Power Act to establish a federal policy on electric grid planning that recognizes the need for new transmission capacity to deploy renewable energy as well as the potential for more efficient operation of the current grid through new technology, demand-side management, and storage capacity. Enhances existing regional transmission planning processes by incorporating this federal policy. Charges the Federal Energy Regulatory Commission with supporting, coordinating, and integrating regional planning efforts.

Comment: Improvement to the grid for renewables should create opportunities for more and larger renewable projects nationwide.

Subtitle G – Technical Corrections to Energy Laws

Sections 161-162, Technical Corrections to Energy Independence and Security Act of 2007 and Energy Policy Act of 2005: Makes technical corrections to the Energy Independence and Security Act of 2007 and the Energy Policy Act of 2005.

Comment: No changes to renewable energy tax incentives are contained in this version of the bill. Existing tax benefits are preserved, but, as discussed above, the value and relevance of those incentives may wain or die due to future Congressional action.

Subtitle I – Marine Spatial Planning

Section 181, Study of Ocean Renewable Energy and Transmission Planning and Siting: Requires the Federal Energy Regulatory Commission, the Department of Interior, and the National Oceanic and Atmospheric Administration to jointly recommend an approach for the development of regional marine spatial plans for the siting of offshore renewable energy facilities. The Council on Environmental Quality determines whether the recommended approach should be implemented and coordinates the implementation.

Comment: Dramatic new opportunities for offshore renewable energy projects should arise once this hurdle has been overcome and once such technology is more widely accepted.

Title VII – GLOBAL WARMING POLLUTION REDUCTION PROGRAM

Part A – Global Warming Pollution Reduction Goals and Targets

Section 724, Trading: Clarifies that the legislation does not restrict who can hold an allowance, nor does it restrict the purchase, sale, or other transaction involving allowances.

Comment: Potential opportunities for revenue or new business to the extent that any aspect of the client's business involves an activity that reduces the use of carbon and provides for the existence of a REC which might be exchanged for value to a market maker or buyer of such REC.

Part D – Offsets

Section 732, Establishment of Offsets Program: Directs the EPA Administrator to establish an offsets program and requires that regulations ensure offsets are verifiable, additional, and permanent.

Comment: To the extent a client is otherwise able to generate offsets, they will be subject to federal regulations. The compliance burden of these regulations is unknown.

Section 733, Eligible Project Types: Requires the Administrator to establish a list of offset project types that are eligible under the program, taking into account the recommendations of the Offsets Integrity Advisory Board. Provides guidelines for establishing and updating the list.

Comment: Opportunity unknown.

Sections 735 - 737, Approval and Verification of Offset Projects; Issuance of Offset Credits: Establishes procedures to approve and verify offset projects. Requires the use of accredited third-party verifiers. Directs the Administrator to issue offset credits only if the emissions reduction or sequestration has already occurred and other specified conditions are met.

Section 738, Audits: Requires the Administrator to conduct, on an on-going basis, random audits of offset projects, offset credits, and practices of third-party verifiers.

Comment: Compliance Burden unknown.

Subtitle B – Disposition of Allowances

Section 321, Disposition of Allowances for Global Warming Pollution Reduction Program: Provides for emission allowances to be distributed for three primary goals:

- (1) to protect consumers from energy price increases,
- (2) to assist industry in the transition to a clean energy, and
- (3) to spur energy efficiency and the deployment of clean energy technology.

Part H – Disposition of Allowances

Section 782, Allocation of Emission Allowances: Provides for allocation of allowances to electricity consumers; natural gas consumers; home heating oil and propane consumers; **low-income consumers**, trade-vulnerable industries; investment in clean energy from coal; **investment in energy efficiency and renewable energy**; centers of excellence; clean vehicle technology; domestic fuel production; workers; domestic, wildlife, and natural resources adaptation; international adaptation; clean technology transfer; deficit reduction; and consumer rebates.

Comment: Opportunity/burden unknown.

Section 783, Electricity Consumers: Provides approximately 30% of allowances to local electric distribution companies, whose rates are regulated by states, to protect consumers from electricity price increases. Provides approximately 5% of allowances for merchant coal generators and certain **generators with long-term power purchase agreements**. Provides for phase-out of allowances over a five-year period from 2026 through 2030.

Comment: Opportunity/burden unknown.

Section 784, Natural Gas Consumers: Provides 9% of allowances to local natural gas distribution companies, whose rates are regulated by states, to protect consumers from electricity price increases. Provides for phase-out of allowances over a five-year period from 2026 through 2030.

Comment: It is not clear how such allowances would impact owners of low income housing or the utility allowance calculations that impact rent collections in such projects.

Title IV – Transitioning To a Clean Energy Economy

Subtitle C – Consumer Assistance

Section 431, Energy Tax Credit: In the event of any reduced purchasing power as a result of Title VII of the Clean Air Act, provides tax credits to the lowest-income **households** to compensate for such losses.

Comment: It is unclear how such tax credits might benefit or burden our clients. Given the individual/"household" focus and the low income threshold of such tax benefits, it appears there are no material business opportunities with respect to such credits which operate at only the individual tenant level as opposed to a business/landlord level. Would this constitute income?

Section 432, Energy Refund Program for Low-Income Consumers: Directs the EPA Administrator to administer an "Energy Refund Program" to provide monthly cash energy refunds to low income individuals to compensate for any reduced purchasing power resulting from Title VII of this Act. Provides that energy refunds shall not be considered taxable income.

Comment: Unclear. It is clear that this is not taxable income. However, it's not clear how this might this affect utility allowances in low income housing projects or if the tenant income tests would be impacted.

Subtitle D – Exporting Clean Technology

Sections 441-443, Findings and Purposes, Definitions, Governance: States that the purpose of this subtitle is to provide U.S. resources to encourage widespread deployment of clean technologies to developing countries. Establishes a Clean Technology Account administered by the State Department in consultation with an interagency group. The Account will supplement and not supplant other federal funding.

Comment: Clients in the Clean Technology sector may realize new international business opportunities.

Subtitle E – Adapting to Climate Change

Part 1 – Domestic Adaptation

Subpart A – National Climate Change Adaptation Program

Section 451, National Climate Change Adaptation Program. Establishes a climate change adaptation program within the U.S. Global Change Research Program.

Section 453, State Programs to Build Resilience to Climate Change Impacts: Distributes emission allowances to states for implementation of adaptation projects, programs, or measures, contingent on the completion of an approved State Adaptation Plan. Eligible projects include, but are not limited to, those designed to respond to extreme weather events such as flooding or hurricanes, changes in water availability, heat waves, sea level rise, ecosystem disruption, and air pollution.

Comment: These projects may provide substantial opportunities for those able to meet the needs of the state program requirements.

FOOTNOTE

¹ Under the Waxman-Markey bill as originally introduced, the EPA projects the price of emissions allowances would rise from \$13-\$17 per metric ton in 2015 to \$17-\$22 per metric ton in 2020.

If you have any questions, please contact your Reznick Group representative.

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