The Challenges of Investing in Renewable Energy
March 22, 2012
Project Profiles

All projects are different
  – They all have their benefits and risks, just a different set
  – The risks need to be:
    • Identifiable & Known
    • Actively Managed
    • Not present a Fatal Flaw to the Project

The Banks, Transmission and PPA Providers want them to all look the same

Economics are not very flexible within a given market

Taxes and Jurisdictions vary widely
  – Tribal / Federal / State / Municipal
Perceptions vs. Realities
Death and Taxes

- PTC / ITC / Grants
  - Most visible, but not as problematic

- Depreciation & Tribal Entity Ownership
  - Taxable Entities vs. Sovereignty

- Infrastructure
  - County Roads, Tribal Lands, Jurisdiction questions

- State Taxes
  - Excise vs. property taxes
  - Energy Production tax across jurisdictional lines

- TERO & other Tribal Taxes
  - Vary Greatly in size, shape and application
Preventive Measures

- Push to understand and get ahead of the issues

- Project Economics
  - Identify all taxes that might apply
  - Push to clarify issues early and before jumping into the expensive work
  - There are potentially trade-offs that take time to negotiate

- Tribal battles vs. Project battles
  - Unknown territory
  - Jurisdictional disagreements
  - Tax Compacts, Fee Agreements
The Future?

▶ Non Tax-based incentives
  – Tax based incentives are inherently biased
    • For those who don’t pay taxes
    • For those who don’t make enough to pay taxes

▶ More consistent jurisdictional guidelines
  – New BIA leasing regs