R.E.A.
Renewable Energy Account

Repowering America
Through Individual Energy Investment Accounts

How to actively engage Americans in the new energy economy through tax-deferred investment and private ownership.

Tuesday, April 7, 2009
Rationale

Why Renewal Energy Accounts:

- Despite federal incentives in American Reinvestment and Recovery Act, investment in photovoltaic systems by consumers only makes sense once the retail price of electricity reaches 17¢ a kilowatt hour. Only ratepayer’s in Hawaii experience rates this high: the average in continental US is 10¢ kWh.

- Only substantial and lengthy feed-in tariffs have served to spark massive investment in solar energy by consumers in Germany, Spain and Italy. Rates equivalent to as much as 45 ¢ a kilowatt hour for 20 years are not unusual in Europe.

- In the United States, two states -- California and New Jersey -- have provided substantial buy-downs, offering rebates equal to one-third of the cost of the system.

In Summary: short of heavy government subsidies, photovoltaic systems remain too expensive for most consumers.
Repowering America
Through Individual Energy Investment Accounts

Renewable Energy Accounts engage the power of private capital to spur the market.
Repowering America
Through Individual Energy Investment Accounts

R.E.A Concept:

Individual taxpayer can annually invest pretax dollars to a maximum amount comparable or equal to that allowable for Individual Retirement Accounts in qualifying investments that include wind, solar, geothermal, new hydro, ocean tidal and hydrokinetics, biofuels, biomass and energy storage.

Non-qualifying projects would be carbon-intensive energy sources and nuclear power, the latter because over time, it will take ever-larger amounts of energy to extract and refine ore as the concentration of uranium declines.
Investment Options

Similar to a conventional IRA, taxpayers can invest in several different renewable energy instruments:

- Traditional, professionally-managed investment funds that specialize in 'green' energy companies: mutual funds.
- Self-directed investments in allowable green energy projects such as solar-thermal or wind energy farms
- Co-operative green energy projects where a community or neighborhood funds its own renewable energy project.
- **Personal energy system such as photovoltaic, solar thermal or small-scale wind**
Economic Argument

There is $2 trillion invested in IRA mutual funds(1), some fraction of which might be expected to be redirected into the renewable energy industry.

$100 billion handed out to households would create 1.7 million jobs, and $100 billion spent on the oil industry would create only 542,000 jobs.

Green investment in building retrofits, public transit, and upgrading the electrical grid would put back to work many of the roughly 1 million construction workers.
Tax Implications

A typical IRA allows the taxpayer to set aside as much as $5000 per individual in pre-tax dollars. Taxes will eventually be paid once the taxpayers reaches 59.5 years-old and begins withdrawing funds.

In the case of an REA, we propose that taxes be deferred until the system is paid for, at which point the taxpayer will have several options depending on how they invested their funds.

- Invested in professionally managed fund: taxes paid similar to requirements of conventional IRA

- Self-invested funds: taxes paid on capital gains.

- Community project funds: taxes paid on capital gains

- Residential renewable energy system: taxes paid on amount of energy produced at rate of 0.025/kWh until amount equal to deferred taxes during initial system payoff has been paid.*

*Suggested method of calculation only.
Repowering America
Through Individual Energy Investment Accounts

Investing in America Today and Tomorrow

The beauty of an REA, is that the investment starts generating revenue as soon as the switch is thrown, and once the project is paid off, it continues to generate a steady, predictable cash flow or in the case of a personal system, energy savings, for the life of the project, estimated at anywhere from 25 to 100 years, depending on the technology employed. This is an inheritance you could pass on to your children and their children's children.
How Can the Federal Government Help

By passing appropriate legislation that allows for the creation of Renewable Energy Accounts.

• IRS tax code that allows for the inclusion of renewable energy investments within the definition of Individual Retirement Accounts.

• Legislation that allows for personally-directed renewable energy investments to be treated similar to conventional IRAs in tax terms.

• Legislation that requires any state accepting federal funds to improve its energy grid must enact, at a minimum, 1:1 net metering regulations without punitive restrictions. States and utilities may be free to negotiate even more stimulative policies and inducements.
Repowering America
Through Individual Energy Investment Accounts

Proposed by
J. William Moore
editor@evworld.com
402.339.9877
Papillion, NE