



FAST FACTS

Clean Renewable Energy Bonds

Increase Bonding Authority for Clean Renewable Energy Bonds (CREBs)

Issue. Applications for the CREB bond have, since the program's inception, outstripped the overall authorization for the program, and now with the new program enhancements, demand for the bonds will increase again. The program is ideal for job creation as it finances shovel-ready renewable projects that have been verified by independent engineers and described in applications to the Treasury Department.

On March 18, 2010, the President signed into law H.R. 2847, the "Hiring Incentives to Restore Employment Act." The legislation includes a major enhancement to the Clean Renewable Energy Bond (CREB) program that is available to all 2009 recipients of CREBS allocations enacted under the stimulus bill.

The enhancement, known as the "direct pay" option, will allow co-op CREB issuers to receive a direct payment from the Federal government, designed to reimburse the issuer for 70 percent of the projected interest cost (calculated by Treasury) on these bonds.

In 2009, electric cooperatives received nearly \$460 million in allocations of CREBs for projects in 13 states. Moreover, Treasury is expected to issue a solicitation for co-op applications for an additional \$200 million in CREBs that remain unawarded. The "direct pay" option will be available for issuance of both the awarded and as yet unawarded bonds.

The CREB program was affected when the market for tax credits for the renewable industry nearly collapsed due to the economic recession. Under the original CREB program, the U.S. Treasury provided a tax credit to the purchaser of a co-op-issued bond in lieu of a portion of the interest that a co-op would otherwise pay. This federal subsidy permitted a co-op to pay a low interest rate on its bond – similar to receiving a low interest loan. Today, however, there are few buyers for such CREBs. Buyers previously interested in the program no longer desire tax credits because they have little tax liability.

The direct pay option will create a robust market for the bonds as there are many potential purchasers of taxable, interest-bearing bonds. Under the new option, a subsidy comes directly to the coop-issuer in the form of a check (generally provided by Treasury twice yearly when interest is paid) designed to cover approximately 70 percent of interest cost. The interest cost is calculated based on a projected CREBs "tax credit rate,"

published daily on Treasury's Bureau of Public Debt website, that reflects an index of A and BBB rated bonds. Note that electric cooperatives, CFC and CoBank are eligible to issue the bonds.

NRECA Position. The House Ways and Means and Senate Finance Committees are preparing energy tax bills that will soon be considered in Committee. We urge Congress to include in those bills at least \$3.2 billion in new CREB bonding authority for 2011, with at least \$1.2 billion set aside for electric cooperatives. The CREB funds should be dedicated solely to not-for-profit utilities so that larger scale renewable projects can be financed.

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