SHORT-RUN ECONOMIC STIMULUS OPTIONS: U.S. ENERGY STORAGE INDUSTRY
March 19, 2020

The COVID-19 virus has placed unprecedented strain on the physical and economic health of nations around the world. The U.S. Energy Storage Association (ESA) appreciates the quick and decisive action taken by Congress to address and alleviate the damage done to our citizens and our domestic economy. As such, ESA has monitored the impact on the U.S. energy storage industry closely, finding in a recent survey that approximately 60% of industry respondents are either currently experiencing delays or expect soon to incur delays in project deployment – causing severe harm to the fastest growing industry of the power sector today.

The U.S. energy storage industry employs over 60,000 people, and grid energy storage systems account for approximately $1 billion annually in economic activity. Energy storage technologies, especially batteries, are critical to electric system reliability and resilience; increasing efficiency and lowering cost of power supply; extending the life of our electric infrastructure; and growing clean and distributed energy resource deployment. As with other sectors of the economy, current economic shocks present considerable threats to industry health and hiring.

As Congress considers economic stimulus measures, ESA respectfully requests consideration of several provisions for a burgeoning industry that can keep Americans employed in the energy storage industry while ensuring greater power sector resilience, efficiency, and sustainability. It is particularly important that resilient energy storage systems be installed in the near term to avoid power system disruptions that could complicate effective response by health providers and hospitals to the pandemic.

The following provisions would assist Congress in mobilizing resources quickly (<1-3 months) for shorter-run economic stimulus:

Top Recommendation: Relief for Storage Industry Financial Stress

- Modify energy investment tax credits (ITC) to allow businesses to monetize them directly, including for energy storage technologies. RESULT: +2,000 jobs in 2020, +9,000 jobs through 2024.
  - Make energy storage technologies eligible for the ITC under IRC Sec. 48 and 25D, with the option to elect “direct payment.” Incentives like an ITC for stand-alone energy storage systems will offset reductions or delays in market deployments in both the near- and medium-term (see H.R. 2096 / S. 1142), protecting the expanding numbers of Americans employed in energy storage. Additionally, since tax equity is likely to become scarce in the near term, an ITC should allow businesses to reduce reliance on costly and time-consuming tax equity transactions. The ITC for stand-alone energy storage should either be refundable...
or allow taxpayers to elect “direct payment” of the credit as tax already paid (as in Sec. 104 of the House Ways & Means GREEN Act discussion draft).

- **Extend safe harbor provisions for businesses electing the ITC.** The Safe Harbor agreement outlined in IRS Notice 2018-59 should extend the deadline for equipment delivery to the end of 2020, so long as the respective projects are placed in service by the end of the ITC phase-down period and equipment was ordered and paid in prior years.

- **Allow regulated utilities to opt-out from normalization of a “direct pay” election of the ITC for energy storage.** IRC Sec. 50 requires regulated utilities to normalize federal tax benefits over the lifetime of credited energy properties. Regulated utilities should be afforded an opt-out from normalization of any “direct payment” election of the ITC for energy storage, subject to approval by their respective state regulators (see H.R. 5409). Doing so can increase annual deployments of energy storage on the grid by an additional 10 percent.

**Additional Recommendations for Short-Run Assistance**

- **Provide grants for distributed energy resources, including energy storage, for resilience and cost-savings.** The Department of Energy (DOE) should be directed to provide grants to States, units of local government, the military, and Indian tribe economic development entities to enhance energy security through measures for electricity delivery infrastructure hardening and enhanced resilience and reliability, which includes energy storage as a potential solution (see Sec. 31101 of H.R. 2741). Additionally, DOE should also make such grants available for states and local governments to administer to businesses that wish to install energy storage and other distributed energy resources to reduce their costs of electric service. $600 million should be provided in FY21 for these grants. **RESULT: +5000 jobs.**

- **Direct the Department of Energy (DOE) to undertake demonstration projects of energy storage across electric systems.** DOE should be directed to make $250 million available to state and local governments, grid operators, and private companies to demonstrate grid-connected energy storage technologies, including longer-duration energy storage technologies, in line with objectives of DOE’s energy storage program objectives (see S. 1602 / Sec.1301 of S.Amdt 1407 to S. 2657). **RESULT: +1000 jobs.**

- **Incorporate energy storage into immediate relevant funds to state, local governments, and communities and expand those funds.**
  - **Incorporate energy storage as an eligible investment for a renewed version of the Department of Energy’s Energy Efficiency and Conservation Block Grant (EECBG) Program.** The EECBG, which provided over $3 billion to cities, communities, states, U.S. territories, and Indian tribes for energy efficiency and conservation projects, should be re-authorized with $5 billion and expanded to include storage and other resilience technologies. The objectives of the EECBG should be expanded to include customer & community resilience as a principal outcome, and energy storage equipment of various types (e.g.,
battery storage, thermal storage, etc) should be explicitly determined to be an eligible investment category for program funds. Additionally, the EECBG should provide funds to converting public buildings to be grid-interactive, using energy storage and other technologies identified by DOE’s Building Technologies Office. **RESULT: assuming $500 million for storage, +4000 jobs.**

- **Provide Department of Transportation funds for electric vehicle charging infrastructure and Department of Energy funds for electric vehicle supply equipment, with integrated energy storage as an eligible component.** Federal grants and loans to states and local governments for transportation should include authorization to use such grants for supporting electrification of transportation. The Department of Transportation should be directed to make federal grants for electric vehicle charging infrastructure, totaling $1 billion in FY21 (see Sec. 1401 of S. 2302). The Department of Energy should be directed to establish a rebate program to promote the purchase and installation of publicly accessible electric vehicle supply equipment, including integrated energy storage equipment, with $100 million for FY21 (see Sec. 432 of the CLEAN Future Act). **RESULT: +10,000 jobs.**

- **Incorporate energy storage as an eligible investment for Department of Education programs that promote school construction and renovation.** The Department of Education provides states and school systems direct funds as well as the ability to issue billions of dollars in bonds for renovation, repairs and school construction. Given that schools often double as emergency facilities, federal programs to support educational facility construction and renovations should be modified to explicitly objectives for resilience and make resilience technologies, including energy storage, eligible investments for federal funds and bonding. **RESULT: assuming $500 million for storage, +4000 jobs.**

- **Incorporate energy storage as an eligible investment for Department of Agriculture energy programs.** The Dept of Agriculture’s Rural Development office obligates more than $20 billion in program-level funding through seven programs, several of which focus on energy. Energy programs like the Rural Energy for America Program (REAP) should be modified to include standalone energy storage as an eligible resource, just as the Rural Energy Savings Program (RESP) already does. The REAP and RESP should be expanded to $500 million temporarily to assist rural electric cooperatives and agricultural businesses with upgrades. The Rural Utilities Service should establish a new objective of rural power system resilience and allocate grants and financing for energy storage that extends the life of and/or enhances the capabilities of rural electric infrastructure. **RESULT: assuming $100 million for storage, +1000 jobs.**

While the preceding list is not exhaustive, ESA believes these options can enable Congress to meet short-run economic stimulus effectively. ESA also looks forward to working with Congress on subsequent economic stimulus measures intended to increase longer-term investment that sustains job growth.