

A Big Step Towards Tribal Renewable Energy Self-Sufficiency

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In a highly competitive America, fledgling tribal governments have been forced to grow very fast in order to meet the needs of their people. The growth process required tribes to go through an extensive learning curve from which they gained valuable business experience based on both failure and success.

For example, within the Hopi and Navajo Nations, there are many signs pointing to a vibrant economic future. The tribes have acquired the needed business acumen and have developed effective business structures--governed primarily by professional tribal members--that respect their culture. Tribes are now pursuing business projects that not only create a good net income, but also are compatible with the types of businesses in which tribal members want their leaders to invest, such as utility-scale renewable energy.

The Grand Canyon Trust's Native America Program works with tribal communities to help plan sustainable economies for the future and to put in place the appropriate business structure to ensure plans become reality. The Trust sponsors public education and community strategic planning sessions where renewable energy development is always identified as a highly desirable opportunity for each community's investment portfolio.

Over the past three years, we have worked hard to educate tribal members about renewable energy opportunities and to build the required capacity on the Hopi and Navajo reservations necessary to accomplish their economic development goals. In this work, we have witnessed a noticeable shift in the tribes' approach. Tribes no longer want to merely lease their land for utility-scale renewable energy projects; they now want to co-own the power production facilities. As a result, tribes are pursuing major utility projects that require upwards of \$1.6 million investment per megawatt.

Various government incentives are the driving force behind of much of the growth in utility-scale renewable energy investment: the most significant being the federal Production Tax Credit (PTC) established by Congress to promote the development of renewable energy projects, such as wind, biomass, and geothermal. The PTC provides a 1.9-cent per kilowatt-hour benefit for the first ten years of a renewable energy facility's operation.

Under current law, tribal governments who are tax-exempt cannot benefit from the Production Tax Credit. Because tribal governments are frequently unable to finance the construction of large renewable energy projects on their own, they have sought to enter into joint venture partnerships with outside private businesses that need land to construct these projects. These are mutually beneficial arrangements, with outside partners providing capital and tribes contributing land in areas with high renewable energy potential.

The current PTC, however, was not designed for tax-exempt entities like Native American tribes and it prevents them from transferring the unusable share of the tax credit to these private business partners. An outside financing company can take 100% of the tax credit if they place their project on private lands, but if they locate on tribal lands, they may only receive a percentage of the credit based on their ownership interest, even if they are providing all of the financing for the project. This situation puts tribes at a serious disadvantage in the renewable energy field.

On April 19, 2007, Congressman Raúl M. Grijalva (D-Az.) introduced H.R. 1954, legislation that will include Native American tribes in the Production Tax Credit process and allow them to transfer their share of the credit to joint venture partners. Endorsed by the Western Governors' Association, this legislation will put tribes on equal footing with private industry.

The bill will assist tribes in attracting major capital investment for utility- scale renewable energy projects and can be the catalyst allowing tribes to begin a new era of self-sufficiency based in renewable energy.

We applaud Congressman Grijalva for his leadership on this issue. The Grand Canyon Trust encourages you to write or call your congressional representative and request approval of H.R. 1954.