December 19, 2016

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551.

Re: Docket No. R-1547; RIN 7100 AE-58
Submitted via email: regs.comments@federalreserve.gov

Board of Governors of the Federal Reserve System:

The American Wind Energy Association[1] (AWEA) appreciates this opportunity to comment on the Federal Reserve's proposed rule to change regulatory requirements for merchant banking.

The American wind energy industry relies to a significant extent on investment by third parties, including banks relying upon merchant banking authority, to bring projects from development and construction into operation. In 2015, over $14.7 billion was invested in new wind energy projects in the U.S. This included $5.9 billion from tax equity providers, including merchant banks. These tax equity investments supported 5,139 megawatts (MW) of new projects, in addition to some project refinance activity. For reference, the industry installed a total of 8,598 MW in 2015, meaning tax equity investments facilitated 60% of the wind energy installed last year.[2] Continued investment by tax equity providers, including merchant banks, is essential to the future growth of the wind energy industry.

While AWEA recognizes the need for the Federal Reserve to maintain the stability of the financial system, the investments made by banks utilizing merchant banking authority in wind energy generation facilities are stable, sound investments. The

[1] AWEA is a national trade association representing a broad range of entities with a common interest in encouraging the expansion of wind energy in the United States. AWEA members include wind turbine manufacturers, component suppliers, project developers, project owners and operators, financiers, researchers, renewable energy supporters, utilities, marketers, customers, and their advocates.
[2] The statistics in this paragraph are available in the *U.S. Wind Industry Annual Market Report Year Ending 2015*, prepared and published by the American Wind Energy Association, available at: http://www.awea.org/amr2015

reforms being considered by the Federal Reserve should not undermine or put at-risk the ability of banking entities to make critical and needed investments in affordable, zero-emitting wind generation. AWEA is concerned that some of the restrictions being considered by the Federal Reserve would unnecessarily limit or eliminate the ability of banking entities to help finance wind generation. To the extent there are fewer banking entities available to provide capital, the reduced supply will drive up prices as demand remains high. In order to remain competitive, wind energy needs to be reducing costs, not facing rising costs for capital.

Wind energy is a stable investment for banking entities and other financial institutions because there is no fuel price risk. While fossil fuels and other commodities are often subject to price volatility and significant long-term price uncertainty,[3] there is no fuel price risk with wind generation because the fuel (i.e. the wind) is free and not subject to global or regional market drivers.

Further, wind energy is a stable, low-risk investment for banking entities because the vast majority of wind generation facilities have long-term contracts to purchase their power at a set price. These long-term power purchase agreements (PPAs) are often for 10 years, 15 years, or even 20 years or longer. This provides a steady and predictable revenue stream for investors. In 2015, nearly 60% of new wind projects were contracted under long-term PPAs, with another 12% utility-owned and approved for rate-recovery by state public utility commissions, meaning 72% of installed wind energy capacity last year was built under long-term agreements and not subject to any market volatility at all. The remaining 28% was built as merchant (meaning the power was sold into regional electricity markets) or with a merchant hedge (which further limits the risk). It is notable, however, that the merchant projects were built exclusively in Texas, which has a mature power market and well-understood hedge mechanisms.[4]

The stability of these investments is reinforced by the strong credit of companies purchasing the power under PPAs. Since 2013, utilities have signed 78% of power contracts with wind generators. Last year, the industry saw a growing trend of power contracts being signed directly with large corporations like Facebook, Google, Amazon, General Motors, Microsoft, Yahoo, Wal-Mart, Mars, Inc., IKEA, and Dow Chemical, among others. In fact, for the first time, last year a slight majority (52%) of long-term contracts were signed by these corporate and industrial customers rather than utilities.[5]

Finally, wind energy is a proven technology with equipment manufactured and installed in the U.S. coming from mature industry leaders, so there is very little technology or

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[3] U.S. Energy Information Administration's (EIA) Annual Energy Outlook 2016 projects a range of natural gas prices converted to a per megawatt hour value between $25 MWh to just over $30 per MWh in 2017 to between $25 per MWh to more than $60 per MWh by 2040.
[4] AMR YE2015, AWEA
[5] Ibid.

performance risk. General Electric was the leading wind turbine supplier in the U.S. market in 2015, for the thirteenth straight year, accounting for 40% of the market. Vestas was second and Siemens was third. Combined, the top three turbine suppliers accounted for 77% of the U.S. market last year. The other companies in the top six – Acciona Windpower, Gamesa, and Nordex – are also established global suppliers to the wind energy industry.[6]

Thank you for your consideration of the issues raised in this letter. The wind energy industry relies on investments from banking entities relying upon merchant banking authority and strongly urges the Federal Reserve to avoid regulatory changes that would limit their ability of continue making these critical and stable investments.

Sincerely,

Tom Vinson
Vice President, Federal Regulatory Affairs
American Wind Energy Association

[6] Ibid.