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EPAct 2005 Section 242 & 243 Hydropower Incentives

Background: The Energy Policy Act of 2005 established two hydropower incentives designed to maximize the generating potential of our nation's existing infrastructure. Section 242 created a hydropower production incentive program to spur new development on existing infrastructure – non-powered dams and conduits. Section 243 created a program to encourage efficiency improvements at existing hydropower facilities.

The authorization of these sections is set to expire at the end of 2015.

Funding History: Although originally authorized in 2005, Section 242 received its first year of appropriations funding in 2014 in the amount of $3.6 million. An additional $3.96 million was appropriated in 2015, for a total of less than $8 million.

Section 243, to date, has not received any appropriations support.

Status: Both the House and the Senate have introduced bills to extend the programs. See H.R. 2724 and S. 1270 – the Reliable Investment in Vital Energy Reauthorization Act (River Act).

Both the House and Senate energy bills (H.R. 8 and S. 2012) included the provisions of the River Act. Both bills were reported favorably out of Committee and are awaiting floor action in their respective chambers.

Impact: Currently, 36 projects have received payments under the Section 242 program for adding new hydropower generation to existing non-powered dams and conduits. This incentive works for all sectors of the hydropower industry – investor owned utilities, public power, independent power producers and small developers. As project proponents look to the future, these incentives provide a critical economic resource to address financing difficulties that arise from capital intensive projects with significant up-front costs including, engineering design, environmental analysis, and permitting. This is important as hydro projects compete for investment with other renewables and other energy options, such as natural gas, that have much shorter development timelines.

Action: The National Hydropower Association supports the extension of the Section 242 and 243 programs before their expiration by the end of this year.

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