



PRESERVING AND ENHANCING THE EXISTING HYDROPOWER FLEET

BIPARTISAN INVESTMENT TAX CREDIT FOR ENVIRONMENTAL AND SAFETY
UPGRADES AT HYDROELECTRIC FACILITIES

CHALLENGE: THE TAX CODE FAILS TO ENCOURAGE ENVIRONMENTAL AND SAFETY UPGRADES OF EXISTING HYDROPOWER PROJECTS

Investments that are necessary for ongoing hydropower production, like new fish passage to help enhance aquatic ecosystems and structural upgrades to ensure the safety of dams, are not supported by the existing tax code.

This lack of policy support for new investments in existing hydropower facilities threatens hydropower, a key source of reliable, renewable energy. Just as Congress has enacted legislation to preserve the carbon-free nuclear fleet, Congress also needs to preserve the existing carbon-free hydropower fleet, especially as almost half of the non-federal fleet will have their licenses expire by 2035.

SOLUTION: AN INVESTMENT TAX CREDIT THAT PROMOTES THE SOCIETAL BENEFITS OF EXISTING HYDROPOWER PROJECTS

Congress should support the creation of a new investment tax credit (ITC) to improve existing hydropower facilities and enhance river ecosystems, including a 30% ITC for environmental and safety upgrades at hydroelectric dams, as well as 30% ITC to remove obsolete river obstructions, with dam owners' consent. This tax credit would improve the financial conditions necessary to maintain the existing hydropower fleet. This tax credit:

- **Preserves Existing Renewable Energy Production:** In 2021, hydropower accounted for 31.5% of renewable energy generation in the U.S. and roughly 6.3% of the nation's overall electricity generation, or enough energy to power over 30 million homes. Hydropower is also key to managing variability of other renewable technologies in pursuit of 100% renewable energy
- **Supports New Hydropower at Existing Dams:** The Department of Energy estimates an additional 4.3 GWs of electricity to our grid, enough to power more than 3 million homes, could be attained by adding generation to existing non-powered dams. This tax credit would support the structural and environmental upgrades necessary to retrofit existing dams with hydropower. Currently, only 3% of U.S. dams generate power.
- **Enhances Dam Safety and Aquatic Ecosystems:** The tax credit will help dam owners make safety and environmental upgrades to their facilities. Furthermore, the tax credit will support removing obsolete river obstructions, with dam owners' consent, empowering communities to address infrastructure that has outlived its useful purpose, as well as improving the health of our nation's waterways. Upgrading existing hydropower facilities includes: **Adding or improving fish passage; Maintaining or improving water quality at the facility; Promoting downstream sediment transportation and habitat maintenance; Upgrading, repairing, or reconstructing a qualified dam to meet Federal dam safety and security standards**
- **Has a Modest Joint Committee on Taxation (JCT) Score:** The proposed 30% ITC for existing hydropower facilities was scored by the JCT in December 2022 to cost only \$729 million over the next 10 years.