WORSENING IMPACT OF THE COVID-19 CRISIS ON ADVANCED ENERGY COMPANIES

Advanced energy is a $238 billion a year industry in the United States, with employment of 3.6 million people in 2019, growing nearly twice as fast as U.S. employment overall last year. The vast majority of advanced energy companies are small businesses. Nationally, 64% of advanced energy businesses have fewer than 20 employees; 90% have less than 100.

Surveyed last fall, advanced energy employers projected 5% job growth in 2020, before the COVID-19 pandemic hit. Instead, over 100,000 advanced energy workers lost their jobs in March, wiping out all of last year’s growth, according to BW Research Partnership. Job losses could top 500,000, or 15% of total industry employment, if nothing more is done to support the industry.

On March 26, Advanced Energy Economy (AEE) released an open letter to Congress and the White House outlining the efforts of the advanced energy industry to help combat the spread of COVID-19, releasing survey results on how our membership is impacted by this public health crisis, and detailing why immediate federal action is needed to help the industry.

With the economic implications of this crisis growing, AEE is releasing results of a new member survey on how COVID-19 is impacting our industry. Today, AEE can report that the advanced energy industry is continuing to feel the pressure of this virus. Our updated survey reveals:

- 84% of companies have had to stop or delay projects.
- 48% of companies have had customers or clients cancel or delay projects through force majeure.
- 40% of companies have seen 26% to 50% decline in sales compared to projections.
- 60% indicated that federal stimulus packages have not helped their business.
- 92% of companies said that Federal Reserve loans have not helped their business.

Advanced energy companies have noted numerous reasons for why the industry is facing challenges during this crisis, including:

- Lack of face time with potential customers, which harms business development
- Inability to access homes to install energy efficiency upgrades or distributed energy resources
- Inability to engage landowners, perform siting for projects, and complete permitting
- Delay or cancellation of public meetings by local officials, which delays projects
- Construction crews are unable to access worksites

Here are additional comments from individual advanced energy companies:

- An energy efficiency company noted: “In most states, primarily New York, New Jersey, and California, we have stopped all work. In the Midwest and Southeast, we are on a limited work schedule. We are a pay for performance-based business, and we rely 100% on the implementation of projects for cost recovery and revenue. The current state definition of nonessential has caused us to stop all work.”
• According to an EV charging business: “A number of construction projects have been significantly delayed; the city of San Francisco has ordered all EV charging construction projects stopped. A number of permitting agencies – in California, Virginia, and elsewhere – are either closed or have told us to expect 30-90-day delays on permitting.”

• An energy storage and EV charger business stated: “Our businesses are dependent upon access to customer sites, which may not be available either due to a work closure/reduction or because the owner/operator of the facility wants to limit external contact/activity at their premise for the time being.”

As stated in our March 26 open letter, every American and every citizen of the world has been forced to change their lives to confront the stark realities of COVID-19. First and foremost, this is a national public health emergency that could put millions of lives at risk in the United States, significantly stress the nation’s hospitals and health care delivery infrastructure and place an unprecedented burden on frontline health care workers. Recent efforts to combat the spread of this virus are helping to avoid the worst of its impacts. Second, the events that are unfolding are placing extreme economic pressure on businesses and workers directly impacted by travel restrictions and the necessity of social distancing.

As policymakers turn to address the impacts of the COVID-19 crisis across the U.S. economy they should consider the real effects that the crisis is having on the advanced energy industry right now, as well as the role that this industry can play in a speedy and sustainable recovery.

**A SIMPLE SOLUTION THAT CAN HELP THIS INDUSTRY NOW – DIRECT PAY**

There is a simple, no-cost measure that Congress could enact now to ensure that projects facing disruption and delay ultimately go forward – allowing direct payment of federal incentives for advanced energy development. Under current law, installations of solar, wind, battery storage, fuel cells, and other advanced energy technologies receive support in the form of federal tax credits, which are used to finance development. In the current economic situation, the few banks that control the tax equity market have essentially stopped awarding companies these tax credits. As a result, anticipated projects get placed on hold or even canceled, jobs are lost, and companies face a major risk of closure, while consumers and businesses pay more for energy. In our recent survey, 60% of advanced energy companies said that a change of federal tax credits to 100% direct pay would help their business.

• As stated by one solar developer: “We anticipate a major contraction in the availability of tax equity, which could prevent the financing of projects that are shovel-ready and could help kickstart a recovery as soon as construction is allowed to resume. Changing federal tax credits to a direct pay option would alleviate this acute crisis.”

Direct pay will not relieve all the COVID-19 disruption on advanced energy businesses. But it will immediately reduce uncertainty, increase liquidity, and ensure a speedy recovery for advanced energy developers at a crucial time. It is a no-cost action that is worth taking, for the relief it will provide today, and for the return to vigorous economic growth tomorrow.