



**Written Testimony of Lars Andersen, CEO, FloDesign Wind Turbine Corp.
Submitted to the U.S. House of Representatives Committee on Ways and Means
Hearing on "Energy Tax Incentives Driving the Green Job Economy"
April 14, 2010**

Chairman Levin, Ranking Member Camp, and Members of the Committee.

Thank you for the opportunity to present the perspective on energy tax incentive programs of an emerging small, innovative U.S. corporation entering the mature and extremely aggressive wind turbine market place. By way of background on this topic, FloDesign Wind was incorporated in 2007 with private capital to apply an advanced aerospace technology to the highly competitive world wind turbine industry. After two years of development and the raising of over \$40 million dollars of private venture equity, our early prototypes are under test with an initial commercial product offering on the horizon. We are some years from profitability with substantial additional investment needed prior to full market entry, yet the attraction of the recent round of tax incentives, especially those that offered grants in lieu of credits and exchange of tax incentives in financial markets, is compelling.

In 2009, FloDesign Wind carefully considered pursuing the joint Energy Department/Internal Revenue Service Advanced Energy Manufacturing Tax Credit (MTC), authorized in Section 1302 of ARRA. The MTC, also referred to as Section 48C of the Internal Revenue Code, offered significant, fungible incentives for investment in Green Manufacturing for large and small businesses. According to the Department of Energy's Recovery and Reinvestment webpage, this oversubscribed, completed program provided a "...30% credit for investments in new, expanded, or re-equipped advanced energy manufacturing projects." Earlier this year, President Obama announced award of \$2.3 billion in MTCs to be allocated for advanced energy projects, supporting total capital investments of almost \$7.7 billion in new renewable and advanced energy manufacturing projects. FloDesign Wind determined that additional development work was required before we would be able to realistically compete for such an important and valuable incentive program. Now, that additional development work is well underway thanks to the recent award of an \$8,325,400 technology investment agreement from the new DOE ARPA-E Office. Furthermore, the company has an initial commercial product offering on the path to production and will be investing significantly in manufacturing, support and operations/maintenance capability over the coming few years. These investments will result in the creation of hundreds of jobs requiring maximum leveraging of the private and government funds raised in order to offer a wind turbine that is

cost and performance competitive in the global marketplace. Additional funding for Section 48C MTC, and provisions for trading of granted credits, would help ensure that competitive position.

As commercial introduction of this Next Generation Wind Turbine proceeds, it is obvious to us that significant additional technology must be developed in order to broaden our family of turbines to address new world market segments and help the United States achieve the lofty goals enumerated by DOE as 20% Wind by 2030. This can only be achieved through the marshalling of added private and government resources. We anticipate that our investors will continue to generously contribute capital as the company evolves and certainly hope the U.S. Government will also continue to invest. Attainable small business incentives which will help attract the private investment and leverage funds to the utmost are critical to this effort. One recent set of incentives that seemed to fill that requirement was the so-called “grant in lieu of credits” provisions of certain federal R&D investment tax credit programs. These provisions enabled those organizations (mostly emerging small businesses) to convert tax credits to grants that could be directly applied to technology development efforts. It is important to add that many new businesses do not achieve profitability, and therefore, have no income tax liability, for many years after reaching the commercial market. FloDesign Wind fully expects to fall into that category and will cause valuable income tax incentives to be effectively ‘unattainable’ to us without the cumbersome and costly process of obtaining a tax equity partner. Tax incentives with expanded, yet carefully crafted conversion options, are extremely important to our development growth strategy.

In conclusion, I have considerable experience in the global wind turbine industry and have seen first-hand the explosive growth of the market. I also managed, from scratch, the development of new, low cost manufacturing facilities for a major world corporation that was relatively unhindered in regards to capital investment. FloDesign Wind and other U.S. renewable energy companies have a great opportunity to enter these markets but it will require the mobilization of huge amounts of private and government capital in order to just compete and even more support to achieve leadership positions that can lead to meaningful energy independence and sustainability. Creative application of incentives for the U.S. energy segment is a critical component of any national energy tax policy. Thank you kindly for your time.