

FUEL CELLS

Bailout Law May Juice State's Fuel Cell Industry

By LYNN DOAN
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Last week's federal bailout of the financial markets could also bring help for the state's fledgling fuel cell industry.

Connecticut, home to one of the country's larger concentrations of fuel cell manufacturers, is set to benefit from a provision in the law that triples the income tax credit for businesses that install fuel cells and makes that credit available until 2016. The credits had been scheduled to expire at the end of this year.

Manufacturers such as Danbury-based [FuelCell Energy](#) and South Windsor-based UTC Power said the legislation approved last week was a major victory after two years of failed attempts to extend the tax credit. The new incentive — \$3,000 per kilowatt, capped at an amount equal to 30 percent of a project's costs — is designed to reduce the current high price of fuel cells, which use hydrogen and oxygen to produce electricity, heat and water.

The fuel cell that FuelCell Energy recommends for a medium-size hotel or grocery store is capable of producing as much as 300 kilowatts, which could equal a tax credit of as much as \$900,000.

"The logjam finally broke last week," UTC Power President Jan van Dokkum wrote in a memo to colleagues during the weekend.

Businesses and utilities that install fuel cells will be able to deduct the expense of fuel cells, within limits, from their federal income taxes.

House Minority Leader Lawrence F. Cafero Jr., R-Norwalk, who proposed a bill in March proposing to issue \$200 million worth of state bonds to pay for fuel cell buses and fuel cell-generated power for [Bradley International Airport](#), described the federal credit as "incredibly exciting."

"What better way to kick-start this industry than partnering with private enterprise?" Cafero said. "We have 20 percent of the fuel cell industry right in our backyard, and frankly, we don't have much to show for it."

The [Connecticut Center for Advanced Technology Inc.](#) in East Hartford estimates that the state's fuel cell industry accounts for 2,100 fuel cell-related jobs and generates

\$29 million in state tax revenue. But because of the high cost of manufacturing, private businesses have been reluctant to make significant investments in fuel cells.

Cafero's proposal failed to pass, but he said he plans to introduce similar legislation in the next session.

Other efforts to transform fuel cells into a more competitive power source have failed on the state level. Last October, a report by the Connecticut Academy of Science and Engineering concluded that fuel cells would not be a good choice to power Metro-North trains on the New Haven line. Two months later, state regulators approved three fuel cell electricity generation projects for power contracts, but rejected three larger projects that were proposed. Fuel cell companies say the federal credit will help.

The federal law also renewed tax credits for solar energy, biodiesel and other renewable energy sources.