



EESI

Environmental and
Energy Study Institute

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The Latest on the Clean Energy Tax Incentives in the Inflation Reduction Act

Thursday, September 28, 2023

About EESI



Non-partisan Educational Resources for Policymakers

A bipartisan Congressional caucus founded EESI in 1984 to provide non-partisan information on environmental, energy, and climate policies

Direct Assistance for Equitable and Inclusive Financing Program

In addition to a full portfolio of federal policy work, EESI provides direct assistance to utilities to develop “on-bill financing” programs

Commitment to Diversity, Equity, Inclusion, and Justice

We recognize that systemic barriers impede fair environmental, energy, and climate policies and limit the full participation of Black, Indigenous, people of color, and legacy and frontline communities in decision-making

Sustainable Solutions

Our mission is to advance science-based solutions for climate change, energy, and environmental challenges in order to achieve our vision of a sustainable, resilient, and equitable world.

Polycymaker Education

Briefings and Webcasts



Live, in-person and online public briefings, archived webcasts, and written summaries

Climate Change Solutions



Bi-weekly newsletter with everything policymakers and concerned citizens need to know, including a legislation and hearings tracker

Fact Sheets and Issue Briefs



Timely, objective coverage of environmental, clean energy, and climate change topics

Social Media (@EESIOnline)



Active engagement on Twitter, Facebook, LinkedIn, and YouTube



Sec. 25C Tax Credit for Home Energy Efficiency	Old Incentive	New Incentive
Tax credit for homeowners (and in some cases renters)	10% of eligible purchases up to \$500 lifetime limit, with lower caps on some products (e.g., max \$300 for central AC)	30% of eligible purchases with no lifetime limit. Maximum annual credit of up to \$3,200, including caps on individual product types, including: <ul style="list-style-type: none"> • \$2,000 for heat pumps • \$1,200 for insulation/envelope improvements
Sec. 45L Tax Credit for New Home Construction	Old Incentive	New Incentive
Tax credit for homebuilders	\$1,000-\$2,000 per unit	\$2,500 for meeting ENERGY STAR or \$5,000 for DOE Zero Energy Ready Homes
Sec. 179D Tax Deduction for Commercial Building Energy Efficiency	Old Incentive	New Incentive
Tax credit for commercial building energy efficiency	Up to \$1.80 per square foot per	Sliding scale of \$2.50-\$5.00

For more information see [USGBC's Green Buildings and the IRA resource](#).

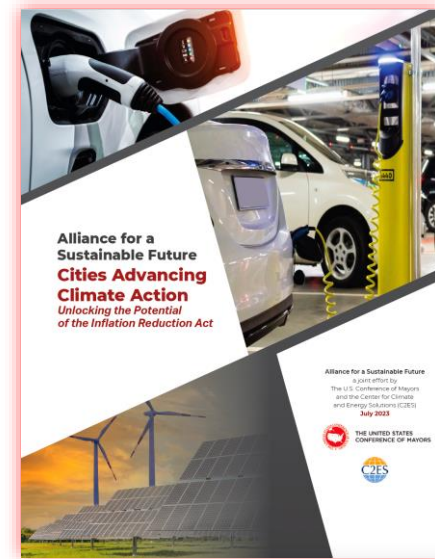
IRA Consumer Facing Electric Vehicle (EV) Tax Credits

30D - Credit for New Clean Vehicles	45W - Credit for Commercial Clean Vehicles	25E - Credit for Previously Owned Clean Vehicles																
<p>Total amount: \$7,500</p>	<p>Total amount: \$7,500 / \$40,000</p>	<p>Total amount: \$4,000</p>																
<p>Critical mineral requirements: - <u>\$3,750</u></p> <p>Battery component requirements: - <u>\$3,750</u></p>	<p>The incremental cost (or 30% of the basis) of the vehicle, up to:</p> <ul style="list-style-type: none"> - Under 14,000 lbs: <u>\$7,500</u> - Over 14,000 lbs: <u>\$40,000</u> <p>* Available for leases</p>	<p>30% of the sale price, up to <u>\$4,000</u></p> <p>* Must be purchased from a dealer</p>																
<table border="0"> <tr> <td>- MSRP Limits</td> <td>AGI Limits:</td> </tr> <tr> <td>- Sourcing Requirements</td> <td>\$300,000–Joint</td> </tr> <tr> <td>- Transferable</td> <td>\$225,000–HH</td> </tr> <tr> <td></td> <td>\$150,000–Other</td> </tr> </table>	- MSRP Limits	AGI Limits:	- Sourcing Requirements	\$300,000–Joint	- Transferable	\$225,000–HH		\$150,000–Other	<ul style="list-style-type: none"> - Mutually exclusive with 30D - Monetizable by tax exempt organizations and government entities 	<table border="0"> <tr> <td>- Sales Price Limit (\$25,000)</td> <td>AGI Limits:</td> </tr> <tr> <td>- Transferable</td> <td>\$150,000–Joint</td> </tr> <tr> <td></td> <td>\$112,500–HH</td> </tr> <tr> <td></td> <td>\$75,000–Other</td> </tr> </table>	- Sales Price Limit (\$25,000)	AGI Limits:	- Transferable	\$150,000–Joint		\$112,500–HH		\$75,000–Other
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<ul style="list-style-type: none"> - Awaiting final rule on critical mineral & battery requirements - Guidance expected by end of year 	<ul style="list-style-type: none"> - Guidance issued December 2022 - Awaiting filing form 	<ul style="list-style-type: none"> - Guidance issued December 2022 - Awaiting instructions for dealerships for transferability 																



Direct Pay

- Direct pay is a new financial mechanism established by IRA that allows tax exempt entities to receive a direct payment from the federal government equal to the value of a tax credit.
- Eligible for 12 of the Inflation Reduction Act's tax credits. Effective for taxable years starting after December 31st, 2022.
- Offers local governments the ability to better achieve their climate goals by making carbon reduction and resilience projects more cost effective.
- Final guidance could be released by the end of the year on the process of electing direct payment.



Resources

The White House

[Direct Pay Through the Inflation Reduction Act](#)

Treasury

[Elective Pay](#)

USCM and C2ES

[Unlocking the Potential of the Inflation Reduction Act](#)

The Local Infrastructure Hub

[Navigating IRA Tax Credits for Local Leaders](#)

Renewable ITC and PTC

Full value ITC (30%) and PTC (2.6c/kWh) extensions

- Extended until 2025, credits become tech-neutral earlier of 2032 or when electricity generation contributes 25% or less of annual GHG emissions
- **New Credits:** Stand-alone storage, solar PTC optionality, hydro step-up

Prevailing wage and apprenticeship requirements

Domestic content bonus (10%)

- 100% of steel and iron, scaling percentage of manufactured products

Energy community bonus (10%)

- Brownfield site, employment, coal mine closure

Low-income bonus (10-20%)

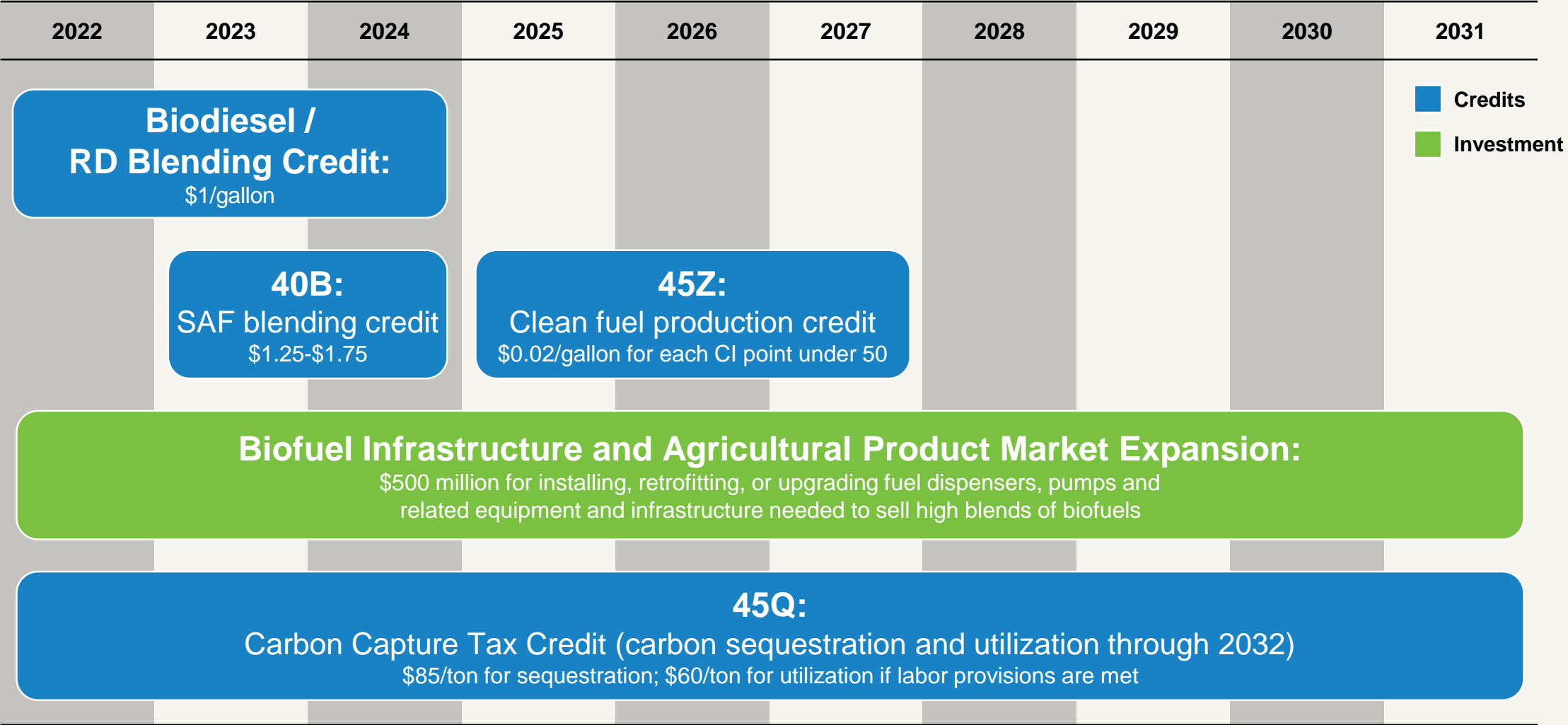
- Low-income, tribal land, affordable housing/economic benefit project

What's next:

- More on § 48, low-income bonus program, domestic content, transferability

Inflation Reduction Act

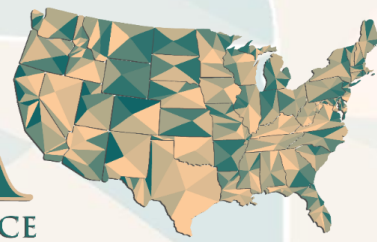
Key Biofuels Provisions – Based on reductions in carbon intensity (CI)





USHA

UNITED STATES HYDROGEN ALLIANCE



Roxana Bekemohammadi
Founder and Executive Director

Who is USHA?

The United States Hydrogen Alliance (USHA) is a member-based non-profit trade association. We are dedicated to building the U.S. hydrogen economy by advancing the market for hydrogen and fuel cells in the commercial sector.

Hydrogen Tax Credits

IIJA - \$9.5B for regional Clean Hydrogen Hubs, R&D and manufacturing

IRA - approx. \$13B for clean hydrogen production, with minor investments in clean vehicle deployments



THIRD WAY

Overview: IRA 45U Tax Credit

- IRA Sec. 13105: Zero-Emission Nuclear Power Production Credit (“Nuclear PTC”)
- Purpose - prevent premature nuclear plant closures (existing nuclear power facilities)
- Credit - **0.3 cents/kWh** (up to **1.5 cents/kWh** if prevailing wage requirements are met)
- Timeline - begins in **2024**; expires in **2033**

Why Does it Matter?

- Nuclear is the largest source of the United States’ carbon-free electricity
- Prematurely closed nuclear plants are **predominantly replaced by fossil fuels**, increasing both climate and non-climate emissions
- Preserving the foundation for the future of nuclear: workforce, supply chain, etc.

MEMO Published September 10, 2021 · 5 minute read

Importance of Preserving Existing Nuclear



Alan Ahn
Senior Resident Fellow for Climate and Energy Program
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JUMP TO SECTION...

Preservation of the U.S. nuclear fleet has immense consequences for meeting our climate and environmental goals. According to a [Union of Concerned Scientists \(UCS\) report in 2018](#), “[m]ore than one one-third of US nuclear plants are unprofitable or scheduled to close,” and this situation has only become worse in recent years.

Given that our [nuclear plants generate over half of our carbon-free and emissions-free electricity](#), premature nuclear closures have enormous implications for meeting our climate and emissions reductions targets.

Early nuclear retirements are replaced by fossil fuels...

Contrary to belief, *closed nuclear plants are not replaced by clean energy sources, but are overwhelmingly displaced by fossil fuel generation.*

Source: <https://www.thirdway.org/memo/importance-of-preserving-existing-nuclear>



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45Q Tax Credit

Capture of Qualified Carbon Oxide from Industry, Power or Direct Air Capture for Storage or Reuse

	Annual Carbon Capture Thresholds (metric tons of CO ₂ /CO per year)	Credit value for secure storage of CO ₂ in saline or other geologic formations	Credit value for carbon reuse projects to convert CO or CO ₂ into useful products (e.g. fuels, chemicals, products)	Credit value for secure geologic storage of CO ₂ in oil and gas fields
Direct Air Capture Facilities	1,000 or more	\$180 per ton	\$130 per ton	\$130 per ton
Industrial Facilities (e.g. ethanol, steel, cement, and chemicals)	12,500 or more	\$85 per ton	\$60 per ton	\$60 per ton
Electric Generating Units (e.g. coal, natural gas and biomass-fired powered plants)	18,750 or more	\$85 per ton	\$60 per ton	\$60 per ton

Timing: Projects must begin construction before January 1, 2033, and may claim the credit for up to 12 years after being placed in service.

Eligibility: Carbon capture and direct air capture projects that capture and reuse or geologically store carbon oxides (CO₂ or CO) are eligible to claim the credit so long as they demonstrate amounts of CO₂ stored or utilized using existing EPA regulations.

Project Wage and Labor Requirements: To claim the full credit level, project developers must comply with project wage and labor requirements as outlined by the U.S. Department of the Treasury and Internal Revenue Service.

IRA Tax Credits for Manufacturing: 48C ITC & 45X PTC

Advanced Energy Project Investment Tax Credit (48C)

- Provides \$10 billion for a 30% investment tax credit for:
 - Clean energy technology manufacturing and recycling
 - Industrial decarbonization
 - Critical minerals processing, refining, and recycling
- At least \$4 billion must go to projects in communities impacted by coal mine or coal plant closures
- DOE administering the credit on behalf of Treasury and IRS, first round of projects being considered now, up to \$4 billion in total projects and approximately \$1.6B in coal communities

Advanced Manufacturing Production Credit (45X)

- Provides a per-unit production incentive for clean energy technologies. Credits are specified in \$/unit except for -
 - Offshore wind vessels, electrode active materials, and critical minerals which will be 10% of the sales price or costs incurred in production
- Eligible technologies include solar, wind, and battery components; inverters; and critical minerals



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