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

Thursday, September 28, 2023

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Non-partisan Educational Resources for Policymakers
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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.
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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
<table>
<thead>
<tr>
<th>Section</th>
<th>Old Incentive</th>
<th>New Incentive</th>
</tr>
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<tbody>
<tr>
<td><strong>Sec. 25C Tax Credit for Home Energy Efficiency</strong>&lt;br&gt;Tax credit for homeowners (and in some cases renters)&lt;br&gt;10% of eligible purchases up to $500 lifetime limit, with lower caps on some products (e.g., max $300 for central AC)</td>
<td></td>
<td>30% of eligible purchases with no lifetime limit. Maximum annual credit of up to $3,200, including caps on individual product types, including:&lt;br&gt;• $2,000 for heat pumps&lt;br&gt;• $1,200 for insulation/envelope improvements</td>
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<td><strong>Sec. 45L Tax Credit for New Home Construction</strong>&lt;br&gt;Tax credit for homebuilders&lt;br&gt;$1,000-$2,000 per unit</td>
<td></td>
<td>$2,500 for meeting ENERGY STAR or $5,000 for DOE Zero Energy Ready Homes</td>
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<tr>
<td><strong>Sec. 179D Tax Deduction for Commercial Building Energy Efficiency</strong>&lt;br&gt;Tax credit for commercial building energy efficiency&lt;br&gt;Up to $1.80 per square foot per</td>
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<td>Sliding scale of $2.50-$5.00</td>
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For more information see [USGBC’s Green Buildings and the IRA resource](#).
## IRA Consumer Facing Electric Vehicle (EV) Tax Credits

<table>
<thead>
<tr>
<th>30D - Credit for New Clean Vehicles</th>
<th>45W - Credit for Commercial Clean Vehicles</th>
<th>25E - Credit for Previously Owned Clean Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total amount:</strong> $7,500</td>
<td><strong>Total amount:</strong> $7,500 / $40,000</td>
<td><strong>Total amount:</strong> $4,000</td>
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<tr>
<td>Critical mineral requirements:</td>
<td>The incremental cost (or 30% of the basis) of the vehicle, up to:</td>
<td>30% of the sale price, up to $4,000</td>
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<tr>
<td>- $3,750</td>
<td>- Under 14,000 lbs: $7,500</td>
<td>* Must be purchased from a dealer</td>
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<tr>
<td>Battery component requirements:</td>
<td>- Over 14,000 lbs: $40,000</td>
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<tr>
<td>- $3,750</td>
<td></td>
<td></td>
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<tr>
<td><strong>MSRP Limits</strong></td>
<td><strong>AGI Limits:</strong></td>
<td><strong>AGI Limits:</strong></td>
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<tr>
<td>- Sourcing Requirements</td>
<td>$300,000–Joint</td>
<td>$150,000–Joint</td>
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<tr>
<td>- Transferable</td>
<td>$225,000–HH</td>
<td>$112,500–HH</td>
</tr>
<tr>
<td>- $150,000–Other</td>
<td><strong>Guidance issued December 2022</strong></td>
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<tr>
<td><strong>Awaiting final rule on critical mineral &amp; battery requirements</strong></td>
<td><strong>Awaiting filing form</strong></td>
<td><strong>Awaiting instructions for dealerships for transferability</strong></td>
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<tr>
<td><strong>Guidance expected by end of year</strong></td>
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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.


- 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

USCM and C2ES
Unlocking the Potential of the Inflation Reduction Act

Treasury
Elective Pay

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)

<table>
<thead>
<tr>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
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**Biodiesel / RD Blending Credit:**
- $1/gallon

**40B:**
- SAF blending credit
  - $1.25-$1.75

**45Z:**
- Clean fuel production credit
  - $0.02/gallon for each CI point under 50

**Biofuel Infrastructure and Agricultural Product Market Expansion:**
- $500 million for installing, retrofitting, or upgrading fuel dispensers, pumps and related equipment and infrastructure needed to sell high blends of biofuels

**45Q:**
- Carbon Capture Tax Credit (carbon sequestration and utilization through 2032)
  - $85/ton for sequestration; $60/ton for utilization if labor provisions are met

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*Chris Bliley, SVP Regulatory Affairs, Growth Energy*
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
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.
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Senior Resident Fellow
Climate and Energy Program, Third Way
Twitter: @alanahnh81
45Q Tax Credit
Capture of Qualified Carbon Oxide from Industry, Power or Direct Air Capture for Storage or Reuse

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<tr>
<th>Annual Carbon Capture Thresholds (metric tons of CO₂/CO per year)</th>
<th>Credit value for secure storage of CO₂ in saline or other geologic formations</th>
<th>Credit value for carbon reuse projects to convert CO₂ into useful products (e.g., fuels, chemicals, products)</th>
<th>Credit value for secure geologic storage of CO₂ in oil and gas fields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Air Capture Facilities</td>
<td>1,000 or more</td>
<td>$180 per ton</td>
<td>$130 per ton</td>
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<tr>
<td>Industrial Facilities (e.g., ethanol, steel, cement, and chemicals)</td>
<td>12,500 or more</td>
<td>$85 per ton</td>
<td>$60 per ton</td>
</tr>
<tr>
<td>Electric Generating Units (e.g., coal, natural gas and biomass-fired powered plants)</td>
<td>18,750 or more</td>
<td>$85 per ton</td>
<td>$60 per ton</td>
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**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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