

RENEWABLE ENERGY MARKETS PANEL DISCUSSION

INFLATION REDUCTION ACT OPPORTUNITIES FOR UNLOCKING RENEWABLE ENERGY FUNDING



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**Renewable Energy
Markets™ 2023**



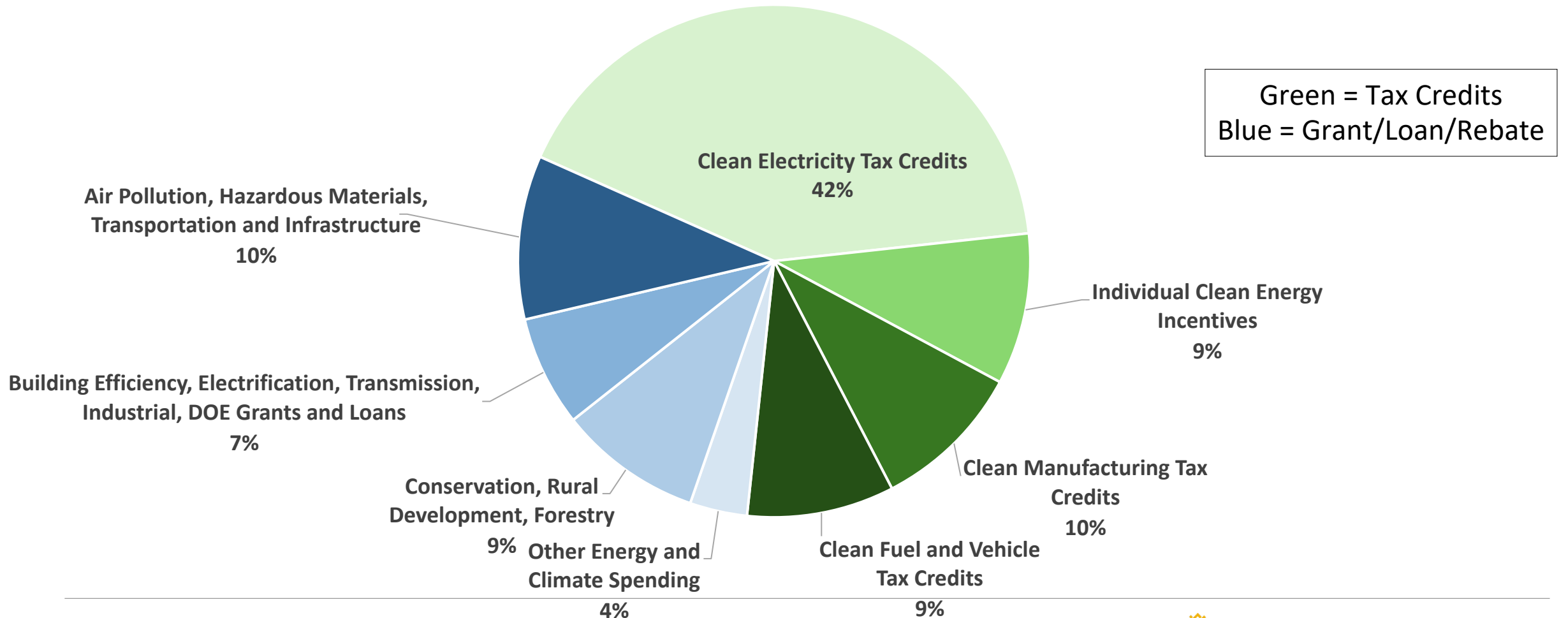
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Overview of IRA Tax Incentives for Clean Energy

*Lori Bird, WRI,
Renewable Energy Markets Conference, Sept. 19, 2023*

UNCAPPED TAX CREDITS MAKE UP 70% OF IRA CLIMATE SPENDING

IRA's projected climate spend is \$369B, but that could be far higher since its tax credits are uncapped



EXPANDED ELIGIBILITY OF ITC AND PTC AND SHIFT TO TECHNOLOGY NEUTRAL TAX CREDITS

- **Through 2024:** expands current ITC/PTC eligibility to new technologies, including
 - Extends the PTC to solar technologies
 - Extends the ITC to wind technologies
 - Allows storage technology to qualify as energy property under the ITC
- **Beginning in 2025:** the Clean Electricity PTC and ITC will replace the traditional PTC / ITC.
 - They are tech-neutral and will apply to all generation facilities with a greenhouse gas emissions rate of zero.
 - Energy storage technology will only qualify under ITC.

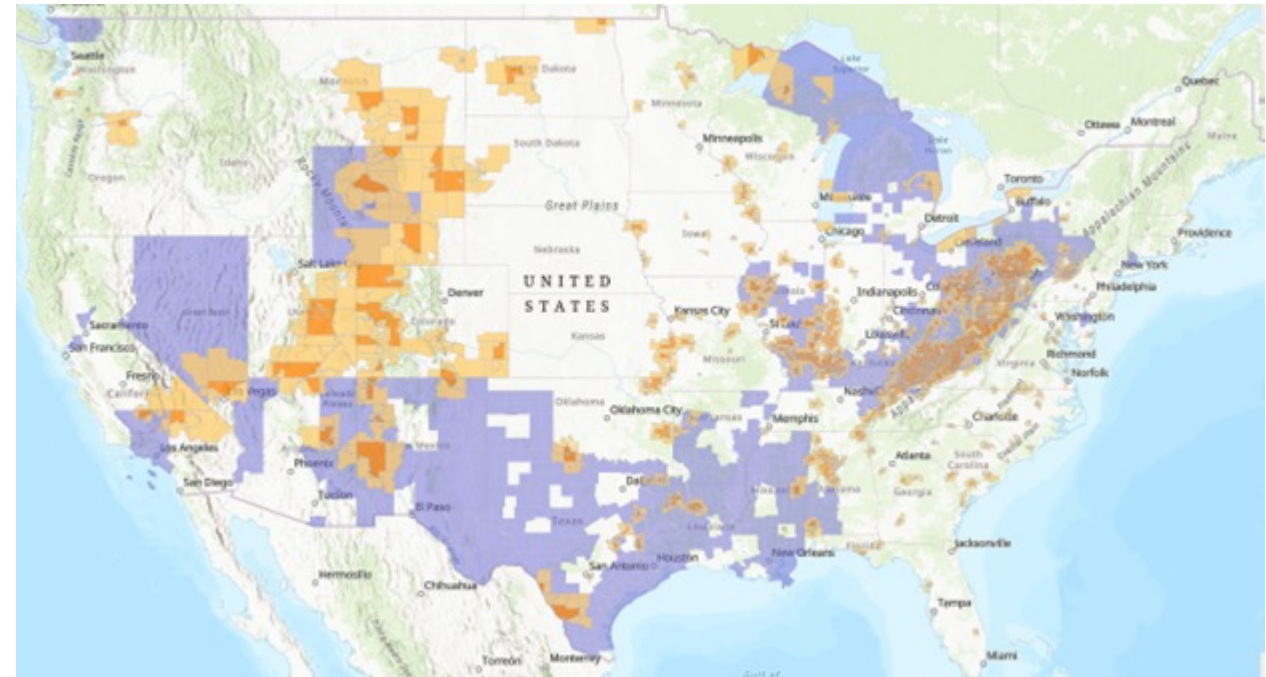
Eligible for ITC or PTC	Eligible for ITC	Eligible for PTC
multiple solar and wind technologies, municipal solid waste, geothermal (electric), and tidal	energy storage technologies, microgrid controllers, fuel cells, geothermal (heat pump and direct use), combined heat & power, microturbines, and interconnection costs	biomass, landfill gas, hydroelectric, marine and hydrokinetic

ENERGY COMMUNITY BONUS CREDIT

Up to 10% bonus for qualifying projects in energy communities

"Energy Community" qualifications:

1. Brownfield sites
2. A metropolitan or non-metropolitan statistical area which
 1. has 0.17% or more direct employment or 25% or more local tax revenues related to the extraction, processing, transport, or storage of coal, oil or natural gas *and*
 2. has an unemployment rate above the national average for the previous year
3. Census tracts impacted by a coal plant closure since 1999



*map does not include brownfields

DOMESTIC CONTENT BONUS CREDIT

The domestic content adder requires any steel, iron, or manufactured product which is a component of the applicable project to be produced in the U.S.

If domestic content requirements are met, projects are eligible for a **10% bonus credit**.

However, for **direct pay domestic content acts more as a requirement than a bonus after 12/31/2025**. Statute allows for some exceptions, but we have yet to see guidance from Treasury on this.

For elective pay, the total value of the ITC and PTC credits will reduce to following amounts if domestic content requirements are not met for facilities that begin construction in:

- 2024: 90% of value
- 2025: 85% of value
- 2026 and beyond: 0% of value



LOW-INCOME COMMUNITIES BONUS CREDIT PROGRAM

- The Low-Income Community Bonus Credit Program includes two new low-income benefit bonus incentives for the ITC only
 - A 10% increase for qualifying projects located in low-income communities or on Indian land
 - A 20% increase for qualified low-income residential housing projects or low-income benefit projects
- Treasury will run an application process for the Low-Income Community Bonus Credit Program.
 - Program limit of 1.8GW in total for each of the years 2023 and 2024, with subdivided capacity limitations by category of project proposed by Treasury
 - At least 50% of facilities in each category must fulfill one of two additional criteria:
 - The ownership selection criteria includes tribes, co-ops, low-income serving renewable energy businesses, and tax-exempt entities eligible for direct pay.
 - The geographic criteria is based on Persistent Poverty Counties as well as census tracts identified as low-income as well as energy-burdened or PM2.5 pollution burdened through CEJST.

ELECTIVE (DIRECT) PAY ENABLES STATES, CITIES, PUBLIC POWER TO TAKE TAX CREDITS

Eligible entities for ITC/PTC direct pay: Any "agency or instrumentality" of state or local government such as:

- public utility districts
- school districts
- special purpose districts established by governments (joint action agencies, economic development corporations, and joint powers authorities).

Combining with Grants. Tax-exempt grants, financing, and forgivable loans **do not** reduce the basis for any ITC eligible for elective pay. However, municipal bonds can lower the tax credit value received by **up to 15%**.

Pre-filing registration process and timing: entities will have to pre-file for all projects they intend to claim through an online registration process. Timing process is based on relevant entity tax or fiscal years

Domestic content requirements. Elective pay projects over 1MW subject to domestic content requirements by 2026, unless a waiver is granted.

OPPORTUNITIES FOR ELECTIVE PAY PROJECTS

Municipal or State Facilities

Solar PV to reduce energy costs for large office or facility buildings

Fleet electrification for transit authorities, public works, etc.

Universities

Geothermal heat pumps to maintain comfortable temperatures in residential buildings

Clean energy installations to act as demonstration and teaching facilities and enable workforce development

Schools and School Districts

Electric school buses and associated charging equipment

Solar canopies for parking lots

Geothermal heat pumps to reduce heating and cooling bills

Healthcare

Microgrids with solar and storage to maintain critical infrastructure during emergencies

Other Buildings

Microgrids to maintain resilience hubs at non-profit community centers

Public EV charging equipment at municipal buildings in low-income neighborhoods

TRANSFERABILITY OF TAX CREDITS EASES TAX EQUITY ACCESS CHALLENGES

Transferability of tax credits: applicable entities (i.e. those not eligible for elective pay) may transfer their credit to one or multiple unrelated taxpayers.

Payment must be made in cash and may be for partial or full value of a credit: All compensation must be “paid in cash” in US dollars. No equity, stock, or other in-kind compensation. This compensation does not count as federal taxable income.

Pre-filing process and registration system: electing entities must pre-file with IRS and register a property and the specified credit portion.

Timing: Tax credit transfer must be initiated for current year, but credit can be used by purchaser under carryforward or carryback rules for future/past tax years

WRI RESOURCES

- **WRI IRA Implementation Roadmap for Local Governments**, forthcoming fall 2023. Explores how local governments can capitalize on new IRA tax provisions, “direct pay” models, and emerging financing approaches enabled by incentives.
- **Webinars.** WRI hosted several webinars highlighting how local governments can prepare for and utilize new tax incentives.
- **WRI's [U.S. Climate Policy Implementation Resource Center](#)** provides general overview of sector-specific policies in BIL and IRA.

Thanks to Bloomberg Philanthropies and the Local Infrastructure Hub for their generous support to make the IRA Roadmap possible.

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Thank you