



CEBA Summary of Inflation Reduction Act

Topline Numbers:

- **\$369B** in climate and clean energy investments
- Of that, the bill allocates **\$160B** in clean energy tax credits to bring down the cost of a broad range of clean energy production technologies
- **\$739B** in revenue raised
- The bill is projected to reduce the deficit by **\$305B**, including additional IRS enforcement.

Topline impact from clean energy provisions:

- The full package is estimated to reduce **economy-wide emissions 40%** below a 2005 baseline by 2030 (compared to Biden Admin's goal of 50% reductions by 2030).
 - [Rhodium](#) predicts the IRA can cut US net greenhouse gas emissions down 31% to 44% below 2005 levels in 2030 compared to 24% to 35% under current policy.
 - [Princeton](#) projects 42% reductions by 2030.
 - [Energy Innovation](#) estimates 37-41% reductions by 2030.
- Electricity Sector Impacts:
 - [Resources for the Future](#) projects retail electricity costs are projected to decline 5-7% over the next decade, compared to a scenario without the IRA.
 - The average household will experience approximately \$170–\$220 in savings, saving American electricity consumers \$209–\$278 billion over the next decade.
 - 2030 electricity sector emissions are expected to be 70–75% below 2005 levels, compared to 48.5% below 2005 levels without the IRA.

Implications for members:

- Biggest clean energy investment to date
- Provides 10-year tax certainty for incentives for broad range of clean energy technologies, beyond wind and solar, that will lower technology procurement costs, help lower energy price inflation over the medium term, and dramatically advance power sector decarbonization, in addition to building domestic supply chains and manufacturing and supporting communities through the energy transition.
- Likely won't have a significant impact on deals for at least 6 months and deployment remains contingent on addressing longer-term barriers to deals, including interconnection queues, adequate transmission capacity, access to well-functioning organized markets, supply chain block-necks, uncertainty around solar tariffs, etc.



What made it in related to clean energy:

Tax Credits

Clean Energy Tax Credits:

- **\$160B** – Clean Electricity Production and Investment Tax Credits for a broad range of technologies with prevailing wage requirements (tech neutral). There are some multipliers for domestic content and location.
 - **Current PTC:** extended for 5 years for facilities placed into service before Jan 1, 2025, at 0.3c/kWh, but up to 1.5c/kWh (up to 5x multiplier) IF prevailing wage and apprenticeship requirements are met (all adjusted for inflation); then converted to tech neutral credit in 2025.
 - Qualifying resources are wind, biomass, MSW, geothermal, hydro, marine and hydrokinetic energy. There is a bonus 10% for domestic content and another bonus 10% if placed in a qualified energy community.
 - **Current ITC:** extended at 6%, or up to 30% (5x multiplier) of the cost of the energy property if wage and apprenticeship requirements met, (subject to inflation adjustment); converted to tech neutral PTC in 2025.
 - Eligible technologies are solar, geothermal, fiber-optic solar, fuel cell, microturbine, small wind, offshore wind, CHP and waste energy recovery that begin construction before Jan 1, 2025.
 - **Technology Neutral Credits**
 - Provides a 10-year PTC to zero-carbon electricity generation facilities placed in service in 2025 or later for 2.5c/kWh; and 10-year ITC work up to 30% of the investment in the year the facility was placed into service, if prevailing wage and apprenticeship requirements met; otherwise, 6% for ITC and 0.6c/kWh for PTC.
 - Only the electricity generated by units or capacity deployed in 2025 or later will be eligible for the PTC. Emissions rates for generation technologies are to be determined by the Secretary and published annually.
 - Credit is increased by 10% of the amount if the facility is located in an energy community, or if certain domestic content requirements are met
 - Provides a 10-year ITC for energy generation facilities or energy storage technologies, with a 10-percentage point increase for electricity generation facilities in low-income communities and a 20 percentage point increase for energy storage technology in low income communities.



- Phase-out for the PTC and ITC will begin either when the Secretary determines that greenhouse gas emissions from electricity generation in the U.S. are equal to or less than 25% of 2022 levels, or the year 2032, whichever is later.
 - Technology neutral tax credit applies to biogas, qualified microgrid, energy storage, new hydro, pumped storage (but not existing hydro), and nuclear.
- **Hydrogen Production Tax Credit:** Creates a new PTC for hydrogen for facilities that begin construction or have qualified fuel sold after December 31, 2022, through 2033 with a base rate for maximum credit of \$.60/ kilogram. Direct pay available.
- **Zero-Emission Nuclear Power Production Credit:** Starting in 2024 and extending through 2032, existing and operational nuclear plants receive a credit of 0.3 cents x kWh base rate and scales by 80%. If qualified plants meet specific labor requirements, the credit increases by a factor of five. Direct pay available
- **Direct Pay:** (essentially converting the tax credit into a grant) is limited to non-profits entities: rural coops, municipalities, and other public entities that lack federal tax liability. Any entity can use direct pay for the clean hydrogen tax credit and for first 5 years of the carbon capture tax credit.
- **Transferability:** Beginning in 2023, taxpayers not eligible for Direct Pay are allowed to sell (or transfer) their credits to third parties. These entities would be allowed a one-time transfer of these tax credits. Any payments received in exchange for the transfer of credits would be excluded from income, and any amounts paid to obtain a transferred credit could not be deducted from income. Credits that could be transferred would also be given extended carryback and carryforward periods. The carryback period for these credits would be extended from 1 to 3 years, and the carryforward period extended from 20 to 22 years.
- **Depreciation** of capital assets is allowed against the Alternative Minimum Tax.

Cross-Cutting Provisions Applicable to Credit Multipliers Available to Clean Energy Tax Credits:

- **Prevailing Wage and Apprenticeship:** projects are subject to the prevailing wage rate set by the U.S. Secretary of Labor. Apprenticeships must account for at least 10% of the work hours performed in 2022, 12.5% in 2023 and 15% thereafter.
- **Energy Community:** defined as being a brownfield site, an area which has or had significant employment related to oil, gas, or coal activities, or a census tract or any adjoining tract in which a coal mine closed after December 31, 1999, or in which a coal-fired electric power plant was retired after December 31, 2009.



- **Domestic Content:** Total cost of a project's components that are mined, produced, or manufactured must be sourced domestically for not less than 40 percent before 2025, 45% in 2025, 50% 2026, and 55% thereafter. Offshore wind is 20% before 2025, 27.5% in 2025, 35% in 2026, and 45% in 2027 and beyond.

Other Tax Credits:

- **\$10B** - Clean Energy Manufacturing Tax Credits (48C) Revives the 30% tax credit for reequipping green manufacturing facilities beginning in 2023. The base credit would be 6% and ratchets up to 30% if certain labor requirements are met. In addition, \$4B is allocated to 'energy communities,' which is a census tract or adjacent census tract that has significant oil and gas jobs or where a coal mine has closed, or a coal-fired power plant has retired.
- **\$80B** - Clean Consumer Tax Credits - rebates to consumers for clean vehicles and consumer and residential products like solar panels and heat pumps.

Appropriations

Transmission-related:

- **\$2B** in direct loans from the DOE for "national interest" electric transmission facilities.
- **\$760M** Grants to facilitate the siting of interstate electricity transmission lines by supporting economic development and mitigate adverse impacts of new transmission lines.
- **\$100M** Technical assistance and grants to support interregional and offshore wind electricity transmission planning, modeling, and analysis.
- **\$5B** Credit subsidy to support up to \$250B in loan guarantees that may support transmission infrastructure projects.

Other:

- **\$9.7B** appropriation to capitalize USDA loans to assist rural electric cooperatives finance renewable energy and zero-emission systems.
- **\$5.8B** DOE Clean Energy Demonstration Office to provide competitive grants to support advanced industrial facilities deployment of carbon reduction and zero carbon technologies at industrial and manufacturing operations.
- **\$500M** Defense Production Act for support domestic manufacturing of solar panel parts, building insulation, heat pumps, electrical transmission equipment like transformers, and critical minerals processing.



- **\$1.5B** Methane Reduction Program provides \$850 in grants and financial assistance to reduce methane operational leaks, \$700 million to cap leaking wells and penalties on large facilities that exceed 0.20 percent of natural gas sent from sale of such facility.
- **\$27B** Greenhouse Gas Reduction to provide grants and financial assistance to nonprofit green banks.

Accompanying Permitting Agreement

The House and Senate leadership committed to pass legislation expediting federal permitting possibly attaching it to must-pass legislation (e.g. the budget continuing resolution requiring a vote by September 30th). An outline of the [permitting deal](#) envisions the President identifying and updating a list of at least 25 high-priority energy infrastructure projects of all types that will undergo a less stringent and expedited permitting process, which includes a 2-year deadline for NEPA review and limited opportunities for legal challenges. Transmission projects of national significance are likely candidates for such a list.

What didn't make it in:

- Transmission ITC – arguably the biggest omission since it was included up until the very end.
- The IRA limits direct pay to only non-profits instead of more expanded direct pay as the industry had asked for but the transferability provisions increase access to the credits.

CEBA
Clean Energy Buyers Association