October 15, 2024

Submitted via RepublicanTaxTeams@mail.house.gov

The Honorable Carol Miller (R-WV)
Chair of the Supply Chains Tax Team
House Committee on Ways and Means
United States House
Washington, D.C. 20515-6343

RE: Tax Teams Comment on Supply Chains

Dear Chairwoman Miller:

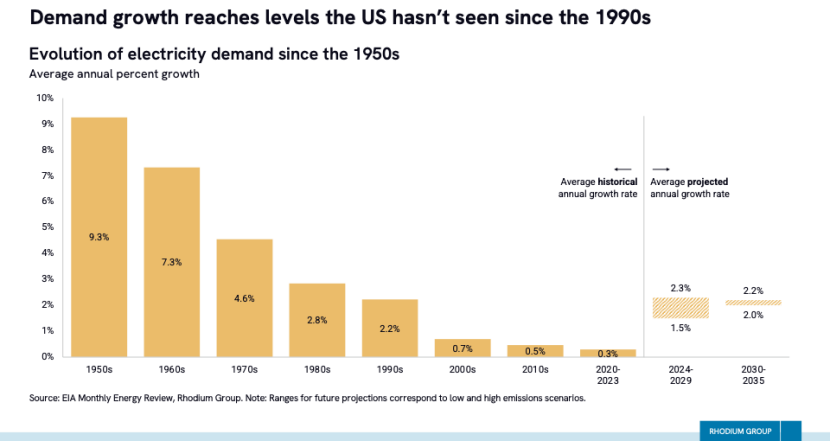
On behalf of the Clean Energy Buyers Association (CEBA), whose more than 400 members represent over $15 trillion in market capitalization and include one fifth of the Fortune 500, I am writing to urge support for preserving the technology-neutral tax credits (§45Y and §48E) and the §45X advanced manufacturing credit during the upcoming comprehensive tax reform deliberations.

Collectively, CEBA's members are driving billions in new investments across the country. Our members' ability to continue to grow and innovate is directly tied to their ability to access reliable, affordable, and clean energy to power their operations.

We applaud the House Committee on Ways and Means forming the Committee Tax Teams, and particularly the Supply Chains Team, which is studying and gathering feedback on various provisions, including the tax code's clean energy-related tax provisions.

The Load Growth Story

Historically, during the economic boom of the 1950s, electricity demand grew by an average of 9.3% per year.[1] Today, the United States is at a pivotal moment, with demand growth levels not seen since the 1990s. The pace of demand growth for electricity across the nation is



[1] Rhodium Group, "Taking Stock 2024: US Energy and Emissions Outlook" (July 23, 2024). See, https://rhg.com/wp-content/uploads/2024/07/Taking-Stock-2024_US-Energy-and-Emissions-Outlook.pdf

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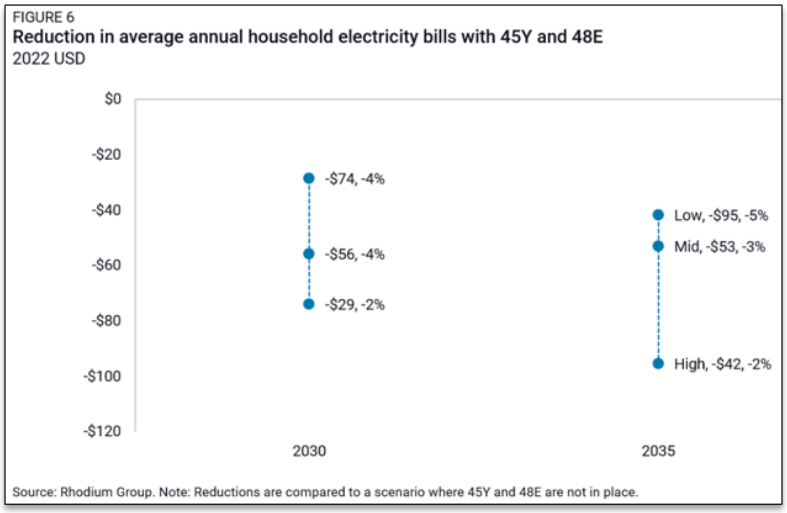
expected to nearly double[2] in the next five years. This real and sizable growth is coming from a variety of sectors[3], including the reshoring of manufacturing, oil and gas production, electrification, and huge growth in the needs of a data-driven economy. We need more electricity to support economic growth, and this is a positive development. We want to clear the path for more investment and innovation to happen here in the United States, and reliable, affordable and clean electricity is crucial to doing so.

Tech-Neutral Tax Credits Minimize Electricity Price Increases

Today, electricity prices are increasing. In fact, the Bureau of Labor Statistics reported that in March 2024, electricity prices rose by 3.6% over the past year, outpacing the inflation rate.[4]

The §45Y and §48E tax credits are technology-neutral, ensuring a level playing field for all energy technologies. These credits empower consumers to choose the best-performing and *lowest-cost* option while encouraging investments in clean energy.

A May 2024 study by Rhodium Group[5] estimated that without tech-neutral tax credits, American consumers could face up to $34 billion in additional electricity costs annually by 2035. Repealing these credits could result in U.S. households paying $29–$74 more per year for electricity by 2030, rising to $42–$95 per household by 2035.



How? Electricity prices are determined by the most expensive power plant needed to meet the last bit of demand. As demand grows, particularly from sectors like AI and data centers and domestic manufacturing, reliance on more costly sources of electricity increases, pushing prices higher. Clean energy sources are cheaper because federal tax credits keep their costs low. Removing these credits would drive up prices and stall critical generation needed to meet load growth demand.

Numerous studies, including those by the National Renewable Energy Laboratory (NREL)[6], confirm that maintaining tax credits for clean energy will accelerate the deployment of low-cost renewable energy, and reduce the cost of newer clean firm options - such as nuclear,

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[2] Grid Strategies, "The Era of Flat Power Demand is Over" (December 2023). See, https://gridstrategiesllc.com/wp-content/uploads/2023/12/National-Load-Growth-Report-2023.pdf

[3] The Brattle Group, "Electricity Demand Growth and Forecasting in a Time of Change" (May 9, 2024). See, https://www.brattle.com/insights-events/news/brattle-report-analyzes-the-impact-of-new-load-drivers-on-electricity-demand-and-forecasting/

[4] The Bureau of Labor Statistics, "Consumer Price Index News Release" (March 2024). See, https://www.bls.gov/news.release/archives/cpi_03122024.htm

[5] The Rhodium Group, "Tech-Neutral Tax Credits: The Foundation of US Electric Power Decarbonization" (May 23, 2024). See, https://rhg.com/research/tech-neutral-tax-credits-electric-power/

[6] National Renewable Energy Laboratory, "Evaluating Impacts of the Inflation Reduction Act and Bipartisan Infrastructure Law on the U.S. Power System" (March 2023). See, https://www.nrel.gov/docs/fy23osti/85242.pdf

carbon capture, hydropower, and geothermal - keeping electricity prices lower for consumers and for what consumers pay for everyday goods and services.

Tech-Neutral Tax Credits Strengthen Supply Chains
Recent disruptions in the power sector's supply chain have caused delays and cancellations of projects due to challenges such as global pandemics, tariffs, and geopolitical risks.

The COVID-19 pandemic disrupted supply chains globally, impacting sectors like energy and manufacturing. A report by the International Energy Agency (IEA) highlighted[7] that the pandemic caused delays and cancellations in lower cost energy projects due to shortages in labor and materials, particularly in renewable energy sectors like solar and wind.

The U.S. has seen significant disruptions in the energy sector due to tariffs and geopolitical tensions, particularly in solar energy. Tariffs on imported solar panels have resulted in project delays and increased costs for U.S. solar developments.[8] Additionally, geopolitical risks, such as trade wars and conflicts in resource-rich areas, have caused delays and price fluctuations in energy materials like rare earth elements that flow through to products imported or made by domestic manufacturers.

The U.S. government has focused on reshoring clean energy manufacturing to reduce dependence on foreign sources, especially foreign adversaries. The tech-neutral tax credits are a significant driver in promoting domestic production of clean energy technologies, batteries and electric vehicle components. This shift is aimed at improving energy security and supply chain stability, reducing reliance on volatile international markets.[9]

Tech-Neutral Tax Credits Encourage Innovation
The U.S. has the potential to lead in fields like artificial intelligence (AI), batteries and advanced nuclear. Investing in research and development for these technologies can greatly enhance U.S. competitiveness in global markets while supporting the shift to a clean energy economy.

A technology-neutral approach to tax credits encourages diverse investments in various clean energy technologies. This flexibility promotes market entry, fosters competition, and drives innovation across the clean energy sector. By lowering barriers for new technologies, tax incentives help them reach commercialization, boosting economic growth and aiding the clean energy transition.

Additionally, tech-neutral tax credits simplify the tax code by consolidating technology-specific incentives, making it easier for emerging clean energy technologies to receive support. This streamlining is essential for accelerating the commercialization of new energy innovations.

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[7] International Energy Agency (IEA), "Global Energy Review 2021" (April 2021). See, https://www.iea.org/reports/global-energy-review-2021

[8] Congressional Research Service (CRS), "U.S. Solar Photovoltaic Manufacturing " (2022). See, https://crsreports.congress.gov/product/pdf/R/R47093

[9] The Rhodium Group, "A Turning Point for US Climate Progress: Assessing the Climate and Clean Energy Provisions in the Inflation Reduction Act" (2022). See, https://rhg.com/research/climate-clean-energy-inflation-reduction-act/

The AMPTC Supercharges U.S. Clean Energy Component Manufacturing

The Advanced Manufacturing Production Tax Credit (AMPTC) reduces the cost of producing clean energy components in the United States. Under the AMPTC, eligible components include applicable critical materials, inverters, qualifying battery components, and solar and wind energy components. The U.S. currently depends on foreign sources, including Russia and China, for key clean energy components and materials. Establishing a domestic supply chain will reduce reliance on imports, strengthen the economy, and enhance national security. The AMPTC addresses this by requiring manufacturers to produce qualifying components in the U.S. to receive the tax credit, which has already led to a surge in domestic manufacturing projects, boosting competitiveness in clean energy.

In the first year after implementation, this credit has driven substantial investment, with 171 new manufacturing projects announced nationwide[10]. Impressively, 28 percent of developers[11] are planning to establish facilities dedicated to clean energy manufacturing, highlighting the policy's impact in fostering a stronger domestic supply chain and supporting the growth of a clean energy economy.

Congress Must Preserve the Tech-Neutral Tax Credits and the Manufacturing Tax Credit
We applaud you for the formation of the Supply Chains Tax Team. As Congress considers comprehensive tax reform, CEBA and its member companies urge policymakers to retain §45Y, §48E, and §45X tax credits. Preserving these credits will prevent electricity price hikes, support domestic manufacturing, create jobs, and strengthen U.S. competitiveness. This will attract investment, secure supply chains, foster innovation, and grow the economy.

Sincerely,

Rich Powell
CEO, Clean Energy Buyers Association (CEBA)

CC: Supply Chains Tax Team Members
Rep. Kustoff
Rep. Wenstrup
Rep. Ferguson
Rep. Fischbach
Rep. Feenstra

[10] E2, "Clean Economy Works | IRA One-Year Review" (August 14, 2023). See, https://e2.org/reports/clean-economy-works-2023/
[11] Blue Green Alliance, "Effects of Renewable Energy provisions of the Inflation Reduction Act on Technology Costs, Materials Demand, and Labor" (June 12, 2023). See, https://www.bluegreenalliance.org/wp-content/uploads/2023/06/Working-Paper_6-12-23.pdf