



The Energy Storage Tax Credit

Background

Energy storage has the potential to transform the power system and fundamentally change the way we think about energy. The technology's value lies in its ability to improve grid flexibility and shift electricity supply to times of peak load, as well as provide a wide range of services that enhance reliability and resilience while enabling greater renewable energy integration.

By acting as both capacity and load, energy storage helps the grid respond to unanticipated changes to the power system, reducing risk through increased resource optionality. It enhances grid operation by distributing capacity, frequency, and voltage support, as well as adding fast-ramping resources that prevent system bottlenecks and improve power quality. **Despite these capabilities, the value of storage is only partially recognized in today's markets:** system and non-energy benefits of storage are often excluded in cost-benefit analyses; regulatory frameworks inadvertently limit energy storage; and new business models are still in their infancy.

An Investment Tax Credit for Energy Storage

A federal tax credit for energy storage would have a transformative impact, promoting private sector investment and helping monetize the value of energy storage technology. Currently, energy storage can only qualify for the federal investment tax credit (ITC) when integrated with ITC-eligible solar resources under specific conditions. This tax treatment creates uncertainties for investors and significantly limits energy storage deployment in suboptimal ways. **ACORE supports modification of the existing ITC to clarify that all storage technologies (e.g. batteries, pumped hydro, compressed air, flywheels, thermal storage, hydrogen storage, etc.) are eligible for the credit, whether integrated into a hybrid project or deployed on a standalone basis.**

Rep. Mike Doyle (D-PA) introduced the *Energy Storage Tax Incentive and Deployment Act* (HR 2096) on April 4, 2019. The proposed credit would apply to business investment in commercial and utility-scale applications of at least 5 kilowatt-hours under IRC 48 and to homeowners investing in residential applications of at least 3 kilowatt-hours under IRC 25(D). Phaseout of the credit is on the same schedule as the solar ITC — 30 percent through 2019, 26 percent in 2020, and 22 percent in 2021. After 2021, the credit would remain at 10 percent permanently for commercial and utility scale projects and zero out for residential energy storage. According to the Energy Storage Association (ESA), the proposed credit could increase energy storage jobs from 70,000 to 167,000, and help achieve 35 GW of new energy storage deployment by 2025.

Additional Information on ACORE's Involvement

Enactment of an Energy Storage Tax Credit is one of ACORE's top legislative priorities. In November 2016, ACORE published a white paper entitled [Beyond Renewable Integration: The Energy Storage Value Proposition](#). In February 2018, ACORE was a vocal supporter of [FERC's Final Rule on Electric Storage Participation in Regional Markets](#). Most recently, ACORE helped secure over 100 signers on a [clean energy incentives letter](#) that included energy storage in the House of Representatives, and convened an [April 4 Hill Briefing](#) to educate congressional staff on the importance of energy storage and other renewable technologies.