



Technology-Neutral Tax Credit

Background

A technology-neutral tax credit based on carbon emissions could be an important policy tool for attracting increased capital for clean energy investment, accelerating renewable energy deployment and lowering the delivered price of clean energy to consumers. While renewable energy is a competitive source of power generation across the country, the ability of a technology-neutral tax credit to bring down consumer costs could be especially useful in states with fewer renewable resources, lower levels of initial deployment or a higher energy burden.

Additionally, a technology-neutral tax credit would help level the playing field in the federal tax code, given that renewable tax credits are currently scheduled to phase down and out even as there are permanent law tax incentives for fossil fuel generation. The federal Production Tax Credit (PTC) and Investment Tax Credit (ITC) have been critical drivers in the financing and widespread deployment of wind and solar power. However, absent any change in current policy, the PTC will phase out completely after 2021, and the ITC will phase out for residential uses and phase down to a permanent 10% rate for commercial and utility-scale projects after 2023.

A Technology-Neutral Tax Credit Proposal for Clean Energy

In April 2021, Senate Finance Committee Chairman Ron Wyden (D-OR) reintroduced the Clean Energy for America Act (S.1298), which would overhaul the federal tax code by consolidating current energy tax provisions into three titles that incentivize clean electricity, clean transportation and energy efficiency.

To incentivize clean electricity, the bill would provide an emissions-based, technology-neutral tax credit for facilities with zero- or net-negative carbon emissions. Any new zero-emission facility may elect either a production tax credit of 2.5 cents per kilowatt hour or an investment tax credit of 30 percent. Additionally, investments in renewable-enabling grid improvements, like standalone energy storage and high-capacity transmission lines, would qualify for the full-value investment tax credit. **Importantly, clean power facilities and grid improvement projects have the option to claim the tax credits as direct payments, allowing access by the broadest possible universe of stakeholders.**

Under the Wyden proposal, the clean energy credits would begin to phase out over five years when the U.S. Department of Energy and the Environmental Protection Agency certify that the electric power sector emits 75 percent less carbon than 2021 levels.

Additional Information on ACORE's Involvement

ACORE's [Advancing America's Climate Leadership](#) white paper identified a technology-neutral tax credit based on carbon emissions as a key policy for most effectively putting renewable energy to work.

American Council on Renewable Energy

1150 Connecticut Ave NW, Suite 401 · Washington, DC 20036 · www.acore.org