# Senate Reconciliation Package Key Clean Energy Incentives

The Senate reconciliation tax package now under development offers a renewed opportunity to meet clean energy development and deployment goals. The hope and expectation are that, similar to prior iterations of the Build Back Better Act, the package will include 10-year extensions of the renewable energy production and investment tax credits, coupled with new direct pay provisions and incentives for key enabling technologies, like energy storage and high-voltage transmission. Combined, these will have a major impact on the critical fight to combat climate change. In addition, manufacturing incentives will help the industry grow its domestic supply chain, adding to the industry's 500,000-plus employee workforce. The clean energy industry is ready to put additional capital to work immediately to take advantage of this crucial package.

More detail on the key elements is provided below. This package enjoys strong and broad support from leading American businesses, the nation's environmental community, the faith community, and renewable energy advocates.

## Full Value Tax Credits for Wind and Solar Energy

- Five-year PTC and ITC extensions from 2022 through 2026, after which Wyden tech-neutral clean energy production and investment credits apply for an additional five years.
- Solar PTC is revived and extended through the first five years, after which broader credit optionality applies across qualifying technologies.
- New ITC for energy storage through the end of 2026, followed by a comparable incentive for energy storage technologies.
- There is also a new ITC for regionally significant transmission lines that begin construction before 2032.
- Full value (elimination of previous reduction) PTC for new hydropower facilities at existing dams, and a new 30% ITC for environmental improvements at existing hydropower facilities that begin construction before 2027.
- "Full value" credits are defined as a 20% base credit.

## Key Credit Features/Multipliers

- 80% bonus credit for compliance with prevailing wage and apprenticeship requirements. (For example, the ITC base credit would be 6%, with the remaining 24% available as a bonus credit for complying with prevailing wage and apprenticeship requirements). This bifurcated credit structure applies to the PTC and ITC, as well as the Wyden tech-neutral extensions.
- 10% bonus credit for qualifying energy properties that meet the bill's domestic content or energy community requirements.
- 10% bonus credit for solar, wind and battery storage projects that qualify for the Section 48 ITC and deploy in low-income communities.
- 20% bonus credit for deploying in qualifying low-income residential building projects or low-income economic benefit projects.

## New Credits

- New clean hydrogen PTC whose value scales based on lifecycle greenhouse gas emissions reductions compared to steam-methane reforming. No credit is provided for facilities that start construction after 2028.
- 25D residential solar credit is extended at full value through 2031, phasing down in 2032 and 2033. The definition of the 25D credit is expanded to include energy storage technology, and the 25D credit is made refundable starting in 2023.
- 48C advanced energy property credit is revived, and new domestic manufacturing production credits are established for qualifying solar and wind components produced and sold before 2029, phasing down by 25% a year until the credits become unavailable for components sold in 2032 and beyond.

## Direct Pay

- 100% direct pay election for PTC and ITC technologies.
- The value of the direct pay election begins to phase down in 2024 and zeroes out completely in 2026 for projects not meeting specified domestic content requirements related to iron and steel, and manufactured products. However, there is an exemption process for situations where domestically produced content is not available.

### Mapping out the ITC and PTC extensions for utility scale renewable energy projects

ITC and PTC extension timelines share many similarities, but bonus value available is substantially different

| | Start of construction year → | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investment Tax Credit (ITC) | Current ITC for utility solar, commercial solar, and third-party owned residential solar | 26% | 26% | 22% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| | • Projects >1MW that meet prevailing wage and apprenticeship requirements | | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| | • Projects >1MW that do not meet prevailing wage and apprenticeship requirements | | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% |
| | • Projects >1MW that do not meet prevailing wage and apprenticeship requirements, meet domestic content requirements | | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% |
| | • Projects (all sizes) that meet prevailing wage, apprenticeship requirements, and domestic content requirements | | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% | 40% |
| | • Adder for projects located in low-income communities | | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| | • Adder for projects that qualify as low-income economic benefit projects | | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| Production Tax Credit (PTC) | • Projects >1MW that meet prevailing wage and apprenticeship requirements (c/kwh) | | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| | • Projects >1MW that do not meet prevailing wage and apprenticeship requirements (c/kwh) | | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| | • Projects >1MW that do not meet prevailing wage and apprenticeship requirements, meet domestic content requirements (c/kwh) | | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 |
| | • Projects (all sizes) that meet prevailing wage, apprenticeship requirements, and domestic content requirements (c/kwh) | | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| | Projects (all sizes) that meet prevailing wage, apprenticeship requirements, and domestic content requirements, and are located in an "energy community"* (c/kwh) | | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |