House Budget Reconciliation Legislation: "The One, Big, Beautiful Bill"

ACORE Summary of Key Clean Energy Provisions

Contents

Introduction

Background on Budget Reconciliation

The 119th Congress is working to enact legislation using the budget reconciliation process to advance the policy priorities outlined by President Trump. These priorities are broadly focused on tax reform, national security, border and immigration, and energy. The tax reform priorities include extending expiring portions of the 2017 Tax Cuts and Jobs Act (TCJA), in addition to enacting newer priorities, such as eliminating taxes on tips, overtime, and Social Security benefits.

Under budget reconciliation procedures established by the Budget Act of 1974, legislation to address revenue, spending, and debt may be advanced through the House and Senate on simple majority votes. This is particularly beneficial in the Senate, where the standard rules for considering legislation require 60 votes to cut off debate. The Budget Act includes rules governing what types of policy changes can be achieved using this process, and also outlines the process required to unlock the expedited debate and consideration of such legislation.

To unlock the expedited process under budget reconciliation, the House and Senate must pass a concurrent budget resolution outlining target increases or decreases to the federal budget deficit by relevant committees, who must then propose legislation to meet those target "instructions." Committees' respective segments of budget reconciliation legislation are then compiled by the respective chambers' Budget Committees. Each chamber must then consider and pass the legislation, and if there are differences between the versions approved by each chamber, those changes must be reconciled (this can be done via a Conference Committee of members of each chamber, via amendments between chambers, etc.). The House and Senate vote on final legislation that is later signed into law or vetoed by the President.

Committee Instructions

The final concurrent budget resolution, H. Con. Res. 14, adopted by the House on April 10, included reconciliation instructions for 11 House Committees and 10 Senate Committees, with different targets for spending cuts, revenue, and debt for each chamber to achieve in order to comply with the Budget Act's requirements. In general, the House established larger spending cut goals and linked those cuts to tax changes. The Senate set much smaller spending cut goals and provided more overall "headroom" for tax changes. The budget resolution also set a $4 trillion increase in the debt limit, while the Senate set a $5 trillion threshold. The chambers' overall difference in deficit reduction targets is unusual historically, reflecting a spectrum of viewpoints within the Republican Party on how to advance the priorities of the second Trump Administration.

Recent Action

On May 22, the House of Representatives passed its version of budget reconciliation legislation—H.R.1, "The One, Big, Beautiful Bill Act"—by a 215-214 vote, which incorporated updates via a manager's amendment to the bills finalized by relevant House committees that received reconciliation instructions under H.Con.Res.14.

The Senate is expected to make amendments to the legislation, which would require the House to vote again on the version of the product the Senate approves. The President has indicated he would like to sign the bill on July 4. This target is generally considered ambitious and, though timing remains uncertain, Senate Majority Leader Thune (R-SD) has indicated that the

impending need to increase the debt limit is a "hard deadline" for Congressional action. The U.S. Treasury Department has indicated that the debt limit will be reached and require statutory action to increase by August.

***

The following sections outline the relevant energy provisions from the legislation written by the Energy and Commerce, Natural Resources, and Ways and Means Committees, and reflect modifications made by the House Rules Committee and manager's amendment, as reflected in the final House bill.

Disclaimer: The sections describing the budgetary impacts of the committees' legislation reflect estimates by Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) based on earlier committee-approved versions of the legislation. Therefore, the numbers shown in these sections are subject to change but help to provide an illustration of how each committee approached meeting their respective reconciliation instructions. We will update this document upon reviewing the CBO and JCT estimates for the final House bill.

Energy & Commerce Committee

Summary

The legislation is divided into four sections (Energy, Environment, Communications, and Health) for the areas within its jurisdiction. The Energy title includes provisions that rescind unobligated funds for Inflation Reduction Act (IRA) programs and address permitting for natural gas.

Bill Language

Text of Legislation (see Subtitle A—Energy and Mineral Resources)

Budgetary Impacts[1]

The House Energy & Commerce Committee received the largest instruction for spending cuts ($880 billion over 10 years) of any House Committee. CBO estimates that this full title would reduce the deficit by $988 billion between 2025 and 2034. This section contains a summary of Subtitle A (Energy), for which the CBO estimates an $11 billion reduction in budgetary authority and a $4 billion reduction in outlays, primarily due to the rescission of unobligated IRA funding. Revenue is projected to increase by $740 million, primarily due to natural gas expedited permitting payments.

Program Funding Rescissions

Related to the IRA, the unobligated balance of the following programs is rescinded. The summary below provides a description of the primary funds of interest, and an estimate of the amounts unobligated. However, the determination of how much is considered unobligated may vary based on the degree to which certain grants and loans are finalized. CBO's estimate for these provisions is a total reduction in budget authority of $12.6 billion, with a $5.2 billion reduction in outlays under the expectation of accelerated disbursement of some funds.

Department Of Energy Loan Programs Office

- The IRA increased the LPO loan guarantee authority for an additional $40 billion of loans and appropriated $3.6 billion for the costs of these guarantees, with up to 3 percent for administrative expenses. This covers the existing Title 1703 programs (Innovative Energy and Supply Chain and State Energy Financing Institution (SEFI)-Supported Projects).
- According LPO's website, since passage of the IRA, $8 billion in loan guarantees have been finalized and $11 billion in conditional commitments have been made since the IRA passage, leaving $20 billion in loans. Assuming half of the appropriated amount has been obligated, results in $1.8 billion remaining.

[1] Disclaimer: The budgetary impacts noted in this section reflect estimates based on earlier committee-approved versions of the legislation.

Energy Infrastructure Reinvestment Financing (Title 1706)

- Expanded LPO authority to include retooling, repowering, repurposing, or replacing energy infrastructure that has ceased operations, and enabling operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants, including anthropogenic greenhouse gas emissions. This can include transmission and does not require innovative technologies. Allows up to $250 billion of principal for loan guarantees and appropriates $5 billion for the cost.
- $18 billion in loan guarantees and $29 billion in conditional commitments have been approved under this program. Assuming an equal ratio or one-fifth of the appropriation has been obligated, this results in $4 billion in unobligated funds.

Tribal Energy Loan Guarantee Program

- The IRA appropriated $75 million and increased the amount of loans and loan guarantees from $2 billion to $20 billion. Only one $73 million conditional commitment has been made, leaving most of the appropriation unobligated.

Transmission Facility Financing

- The IRA provided $2 billion for direct loans for the construction or modification of transmission found by DOE to be in the national interest. This program has not yet been initiated, leaving the full amount unobligated.

Grants To Facilitate the Siting of Interstate Electricity Transmission Lines

- The IRA appropriated $760 million for grants to facilitate the siting and permitting of eligible transmission lines and for economic development projects. $370 million was awarded in the first round, leaving $390 million unobligated.

Interregional and Offshore Wind Electricity Transmission Planning, Modeling, And Analysis

- The IRA provides $100 million in funding for offshore wind and interregional transmission analyses and convenings. Some funding has been appropriated for the West Coast Offshore Wind Transmission Analysis, but the exact amount is not available.

Other Rescissions:

- State-Based Home Energy Efficiency Contractor Training Grants
- Advanced Industrial Facilities Deployment Program
- Advanced Technology Vehicle Manufacturing

Other Budgeting Items

Appropriates funds for administrative expenses associated with carrying out the Alaska Natural Gas Pipeline Act and for the Strategic Petroleum Reserve.

Natural Gas Exports and Imports

Requires a nonrefundable $1,000,000 fee for applications to export natural gas from the United States to a foreign country with which there is not a natural gas trade agreement in effect. Payment of the fee results in application approval without modification or delay.

Expedited Permitting for Pipelines

- Amends the Natural Gas Act, allowing applicants to request expedited permitting if they make a payment equal to the lesser of one percent of the expected cost; or (ii) $10,000,000, adjusted for inflation. CBO estimates this fee will produce $760 million in additional revenue.
    - All relevant governmental agencies (state, interstate, federal) shall approve the permit within one year, with provisions for FERC to approve six-month extensions. If the deadline is not met, the permit will be deemed approved.
- Places a 180-day limitation on the filing of certain claims and provides the DC Circuit Court with exclusive jurisdiction over any claim alleging: the invalidity of the provisions for expedited permitting or that such agency action is beyond the scope of an agency's authority.
- Raises the standard for a court to set aside an agency action from "unsupported by substantial evidence" to unsupported by "clear and convincing evidence."

De-Risking Compensation Program

- Appropriates $10,000,000 through September 30, 2034 for a new DOE "De-Risking Compensation Program" to compensate sponsors of

"covered energy projects," that suffer unrecoverable losses due to "qualifying Federal actions."

- The application requires payment of a fee and an annual premium.
- A covered energy project is one located in the United States for the development, extraction, processing, transportation, or use of coal, coal by products, critical minerals, oil, natural gas, or nuclear energy with a total projected capital expenditure of not less than $30,000,000.
- A qualifying Federal action is a regulation, administrative decision, or executive action issued or taken after a sponsor received a federal approval or permit for a covered energy project; and that revokes such approval or permit or cancels, delays, or renders unviable the covered energy project regardless of whether the regulation, administrative decision, or executive action is responsive to a court order.

Natural Resources Committee

Summary

The House Natural Resources Committee legislation includes provisions related to environmental reviews for infrastructure projects under the National Environmental Policy Act (NEPA).

Bill Language

Text of Legislation (see Subtitle A—Energy and Mineral Resources)

Budgetary Impacts

The CBO estimates that the provisions in the full Committee bill would reduce the deficit by $20 billion through 2034, greatly exceeding its target to reduce deficits by $1 billion over the 2025-2034 period. (This deficit reduction will be about $1.4 billion lower given the removal of provisions to sell federal land and reinstatement of certain land management plans in the final bill.) For subtitle A, the reduction would be $21 billion, equal to a reduction in direct spending of $19.7 billion and an increase in revenues of

$1.2 billion. The revenue increase is due to the payments for expedited NEPA permits, described below.[2]

Key Provisions

Subtitle A—Energy and Mineral Resources

Parts 1 – 5 increase oil and gas, geothermal and coal leasing on federal lands and reduce the royalty rates paid by these resources.

Part 6: NEPA Provisions

- Allows project sponsors to pay a fee of 125 percent of the anticipated costs incurred by the lead agency or the project sponsor of preparing an environmental document in return for reductions in the time for an Environmental Impact Statement to one year and for an Environmental Assessment to six months and removing these studies from administrative or judicial review.
- Rescinds IRA funds for CEQ for the purpose of tracking the disproportionate cumulative impacts of pollution and climate change.
- Part 7 requires a fee for filing a protest of oil and gas leases.
- Part 8 expands offshore oil and gas leases.

Part 9: Renewable Energy Fees and Cost Sharing

- Increases the megawatt capacity fees and acreage rents paid by renewable energy projects on federal lands, reversing the reductions granted by the Bureau of Land Management in 2024. The Congressional Budget Office estimates that this provision will result in the collection of $180 million from 2025-2034.
- Provides for the sharing of renewable energy development revenue with states and counties, instead of the current policy of all funds being provided to the federal government.

[2] Disclaimer: The budgetary impacts noted in this section reflect estimates based on earlier committee-approved versions of the legislation.

Ways & Means Committee

Summary

The House Ways & Means Committee legislation is divided into four subtitles encompassing provisions to make certain parts of the TCJA permanent, address Presidential priorities, and make other changes to the tax code. This section was modified by a Manager's Amendment, reflected in the summary below. The legislation includes a total of 17 energy related provisions, the majority of which are "offsets" for other policies achieved by sunsetting IRA clean energy tax policies, as well as new restrictions on taxpayers' ability to claim credits if they are controlled by, have certain ongoing economic and financial relationships with, or source components, subcomponents, and other items from "Prohibited Foreign Entities."

Bill Language

Text of Legislation (see Subtitle C—Make America Win Again)

Manager's Amendment

Budgetary Impacts[3]

According to revenue estimates from the nonpartisan Joint Committee on Taxation (JCT) of the Ways & Means bill, modifications to IRA-related tax provisions were expected to generate approximately **$513 billion** in savings over the 10-year budget window (2025-2034). In total, the Ways & Means bill would add a total **$3.8 trillion** to the deficit during that period.

Estimates for multiple key tax credit provisions are noted in the chart on the next page:

[3] Disclaimer: The budgetary impacts noted in this section reflect estimates based on earlier committee-approved versions of the legislation.

Provision	JCT Estimated Savings Resulting from Changes (2025-34, in millions)
Clean Electricity Investment Credit (Section 48E)	$154,881
Clean Electricity Production Credit (Section 45Y)	$27,529
Advanced Manufacturing Production Credit (Section 45X)	$44,231
Clean Hydrogen Production Credit (Section 45V)	$9,228
Nuclear Production Credit (Section 45U)	$ 10,432

Key Provisions

The following section compares the current law treatment of the credits with the changes in House reconciliation bill.

Clean Electricity Production and Investment Credits (45Y and 48E)

***Current Law*:**

Under the IRA, the existing PTC and ITC transitioned to technology-neutral incentives (under sections 45Y and 48E, respectively) beginning in 2025, with phaseout set to begin the later of (a) 2032 or (b) when U.S. greenhouse gas emissions from electricity are 25% of 2022 emissions or lower). Projects that meet applicable requirements, including the IRA's prevailing wage and apprenticeship (PWA) requirements, may elect either a 30% ITC or a 10-year PTC at a 1.5 cent/KWh rate (subject to inflation). Projects can obtain additional "bonus" credits for being located in energy communities, meeting domestic content thresholds, etc. Credits are available to the taxpayer upon commencement of construction of the project, and may be sold on a cash basis to an unrelated taxpayer.

The IRA provided that qualification would be determined on a "start-of-construction" basis, primarily assessed via tests established by Internal Revenue Service (IRS) guidance such as the "physical work" and "five percent safe harbor" tests.

Changes in House-Approved Legislation:

Creates a new sunset for 45Y and 48E requiring projects to both start construction within 60 days of enactment *and* be placed in service (PIS) by December 31, 2028.

Specific technology provisions:

- **Nuclear carve-out:** Qualifying advanced nuclear facilities and certain expansion projects are not subject to the dates noted above, rather projects must begin construction by December 31, 2028.
- **Denial of Credits for Certain Renting/Leasing Arrangements:** The 45Y and 48E credits are no longer available for solar water heating property expenditures, solar electric property expenditures, or small wind energy property expenditures (section 25D(d)(1), (2), (4)) if the taxpayer **rents or leases** the property to a third party during the taxable year and the lessee would qualify for a credit under section 25D with respect to the property if the lessee owned such property.

Also includes foreign entities of concern provisions (see FEOC section below).

<u>Transferability</u>

Current Law:

The IRA allows for a one-time transfer (under section 6418) of certain IRA credits by for-profit entities to a third party, with no end date. Transferability enables project owners and developers to sell tax credits for cash and simplifies clean energy project financing.

Changes in House-Approved Legislation:

Transferability is available for the life of 45Y and 48E, provided projects meet the new stricter start construction and PIS requirements noted above.

For the 45X advanced manufacturing credit, there is a sunset date components sold after December 31, 2027.

Foreign Entities of Concern (FEOC) Restrictions

Current Law:

The Bipartisan Infrastructure Law established and applied FEOC restrictions on the Department of Energy's Battery Materials and Processing grant program. The IRA applied new FEOC provisions directly to one credit only—the Section 30D clean vehicle credit. The law defines a FEOC as a foreign entity owned by, controlled by, or subject to the jurisdiction or direction of a government of a foreign country that is a covered nation (i.e., China, Russia, North Korea, and Iran. See the U.S. Department of Energy's 2024 interpretive guidance for additional information).

Changes in House Approved Legislation:

- *Note: For 45Y and 48E, these restrictions now functionally apply only to advanced nuclear projects due to the accelerated phaseout of other technologies eligible for the credits (see above).*
- New FEOC restrictions begin to take effect the first taxable year beginning after enactment or, with respect to certain definitions, for projects beginning construction after December 31, 2025, with limited clarity or guidance regarding safe harbor, grandfathering, or other considerations for purchases or commitments related to projects that may be in service, under construction, or otherwise in the development pipeline at the time the limitations take effect. Generally, taxpayers that are "Prohibited Foreign Entities" or "Foreign Influenced-Entities" cannot claim tax credits for the first tax year beginning after enactment and the tax year beginning two years after enactment, respectively.
- Projects that include "Material Assistance from a Prohibited Foreign Entities" are excluded from claiming credits if construction commences after December 31, 2025.
- The new FEOC restrictions introduce several new terms that impose restrictions on eligibility for IRA tax credits at both the taxpayer level as well as the component, subcomponent, and critical mineral input level. New terms include: "Prohibited Foreign Entity, "Specified Foreign Entity," "Foreign-Controlled Entity," and "Foreign-influenced Entity," as well as concepts related to products using "Material Assistance from a

Prohibited Entity," as well as new definitions and concepts for determining levels of foreign ownership and control of taxpaying entities, and tax credit recapture requirements, limitations on IP and other transactions, among others.

FEOC Definitions and Restrictions:

Taxpayer-Level Restrictions:

1A.) Any taxpayer that is a **"Prohibited Foreign Entity" (PFE)** which are either:

A.) **"Specified Foreign Entities" (SFE)** (Generally, an entity tied to a covered nation that is identified on one of several lists maintained by the U.S. government for national security concerns, forced labor, etc.), or;

B.) **"Foreign Controlled Entities" (FCE):** Includes governments of the People's Republic of China (PRC), Russia, Iran, North Korea; Citizens, nationals or residents of covered nations that are not U.S. citizens or lawful permanent residents; a business, subsidiary, or other entity incorporated under the laws of a covered nation, having a covered nation as its principal place of business, or "controlled" (determined ownership of 50% of stock, profits/capital interests, or beneficial interest) by any covered government.

2A.) An entity that is a **"Foreign-Influenced Entity" (FIE)** is an entity for which a SFE has:

- Direct or indirect authority to appoint a covered officer (which is: A.) a member of a board of directors/supervisors; B.) an executive-level officer (President, CEO, COO, CFO, GC, SVP); or C.) an individual with the powers of A or B);
- A single foreign entity owns at least 10% of the FIE;
- One or more SFE own an aggregate of 25% of the FIE;
- At least 25% of the debt of such entity is held in the aggregate by one or more SFEs;
- The entity knowingly makes Fixed, Determinable, Annual, or Periodic (FDAP) payments to an SFE equal to 10% of the annual gross receipts of the FIE for the previous taxable year; or

- Makes aggregate FDAP payments to one or more SFE of at least 25% of the annual FDAP payments of the FIE for such previous taxable year.

Component/Item Restrictions:

1B.) Projects that begin construction one tax year after enactment of the legislation that receive **"Material Assistance from a Prohibited Foreign Entity" (MAPFE)** (includes: components, subcomponents, or critical minerals incorporated into the property that is extracted, processed, recycled, manufactured, assembled, or based on the copyright, patent, know-how, or trade secrets provided by a PFE) are restricted from obtaining credits.

Items not directly acquired from a PFE and are not uniquely designed for use in the construction of a qualified ITC/PTC facility and are not exclusively or predominantly produced by PFEs are excluded.

Applicability of FEOC to Credits by Effective Date and Additional Restrictions Applied by Credit:

- **Clean Electricity Production and Investment Credits (45Y and 48E):** 1A applies to the first year beginning after enactment and 1B applies one year after enactment; 2A applies to the tax year beginning after 2 years after enactment.

  Additional restrictions:

  - 2A restrictions are modified for ITC to exclude credits for FIEs or if the taxpayer makes FDAP payments to PFEs that are more than 5% of total expenditures related to credit generating activity or 15% in aggregate.
  - Any taxpayer electing the ITC beginning two years after enactment is also subject to a 100% recapture requirement if the taxpayer makes applicable FDAP payments (5% total/15% aggregate) related to the production of electricity or storage of energy to a PFE within 10-years of project being placed in service.

- **Advanced Manufacturing Production Credit (Section 45X):** 1A restrictions applied to the first year beginning after enactment; 2A

and 1B restrictions applied to the tax year beginning after two tax years after enactment.

Additional restrictions:

- In addition to restrictions on MAPFE, eligible components produced subject to a licensing agreement with a PFE for which the value of such agreement is in excess of $1 million trigger disqualification for credits.
- Claiming credits is prohibited if a taxpayer makes any payments to a PFE for eligible components (under IRC 45X (c)(1)(A), includes: Any solar energy component, any wind energy component, certain inverters, any qualifying battery component, and any applicable critical mineral) beginning two years after enactment of the legislation.

- **Carbon Capture Production Credit (Section 45Q):** 1A (only for SFEs) applies to the tax year beginning after one year after enactment; 2A applies to the tax year beginning after two years after enactment.

- **Nuclear Production Credit (Section 45U):** 1A (only for SFEs) applies to the first tax year beginning after one year after enactment; 2B applies to the first tax year beginning after two years after enactment.

- **Clean Fuels Production Credit (Section 45Z):** 1A applies one year after enactment; 2A applies two years after enactment.

Credit Bonuses and Requirements

Current Law:

The IRA amended several existing tax credits and included in certain new tax credits: a 10% domestic content bonus for the use of U.S.-sourced steel, iron, and manufactured products; incremental 10% bonuses for facilities placed in historically fossil-fuel dependent communities (energy communities bonus) or low-income areas (low-income communities bonus). The IRA also established prevailing wage and apprenticeship requirements with respect to certain credits, which provide that taxpayers who fail to the requirements will forfeit 80% of the eligible base credit amount.

Changes in House-Approved Legislation:

The Low-Income Communities Bonus credit is modified for the ITC by barring excess capacity limitations from carrying over after December 31, 2028. Facilities receiving bonus credits must be placed in service by the earlier of the date that is four years after the date such facilities were awarded electricity generation capacity allocations by the Secretary of Energy, and December 31, 2028.

Advanced Manufacturing Tax Credit (45X) Changes

Current Law:

Under the IRA, production and sale of eligible solar energy components (solar modules, photovoltaic cells, photovoltaic wafers, solar grade polysilicon, torque tubes or structure fasteners, and polymeric backsheets), any wind energy component (blades, nacelles, towers, offshore wind foundations, and related offshore wind vessels), certain qualifying battery components (electrode active materials, battery cells, and modules), inverters (central, commercial, distributed wind, microinverter, residential, utility, and applicable critical minerals can obtain a tax credit (variable and based on the component, etc.) for items produced for sale to an unrelated party. Tax credits are transferable to unrelated taxpayers, and the credits begin to phase out in 2030 with reductions of 25% (2030), 50% (2031), and 75% (2032), with full phaseout by 2032, with the exception of applicable critical minerals. Items must be produced within the U.S. or U.S. territories to qualify, but does not apply to subcomponents or materials used to produce eligible components.

Changes in House-Approved Legislation:

In addition to application of FEOC restrictions and sunset of transferability for components sold after December 31, 2027, the phaseout of 45X credit is accelerated by:

1. Credit ended for wind components sold after December 31, 2027.
2. Credit ends for all other eligible components, including critical minerals, sold after December 31, 2031 under the existing phaseout.

Other Credit Repeals and Extensions

Eight IRA incentives would terminate after December 31, 2025:

1. Clean Hydrogen Production Credit (Section 45V)
2. Residential Clean Energy Credit (Section 25D)
3. Previously-Owned Clean Vehicle Credit (Section 25E)
4. Consumer Clean Vehicle Credit (Section 30D) with a termination after December 31, 2026 for manufacturers that have not sold more than 200,000 clean vehicles for use in the U.S.
5. Qualified Commercial Clean Vehicle Credit (Section 45W), with an exemption for vehicles placed in service before 2033 if they were acquired pursuant to a written binding contract entered into before May 12, 2025
6. Alternative Fuel Vehicle Refueling Property Credit (Section 30C)
7. Energy Efficient Home Improvement Credit (Section 25C)
8. New Energy Efficient Home Credit (Section 45L)

The Clean Fuels Production Credit (Section 45Z) is extended to December 31, 2031, to align with the phaseouts of other credits.