Summaries of House Committee Drafts – Relevant Clean Energy Provisions

Ways & Means Committee

The House Ways & Means Committee released draft tax legislation that includes the GREEN Act and other key energy provisions. This proposed legislation includes many priorities sought by SEIA, including a 10-year extension of the investment tax credit (ITC), the addition of standalone energy storage to the ITC, an expansion of the Section 48C manufacturing tax credit, a bonus credit for domestic manufacturing, and more.

Extensions and Additions

- The bill extends the section ITC through 2031, followed by 80% in 2032 and 60% in 2033. The base ITC is set at 6% (in contrast, it is currently at 26%) if none of the new labor conditions are met, but at 30% if labor conditions relating to prevailing wage and apprenticeships are met.
- Solar is provided with the choice of taking the Section 45 production tax credit (PTC) or the ITC.
- The Section 25D solar ITC is increased back to 30% and extended through 2031, then decreased to 26% in 2032 and 22% in 2033.
- The ITC is expanded to include energy storage technology and other technologies. These technologies are eligible for a 6% base credit rate or a 30% bonus credit rate through the end of 2031, phasing down in 2032 and 2033.

Labor Conditions

- In order to receive the full 30% rate of the section ITC or 2.5 cents/kilowatt hour of the section PTC, labor requirements must be met for all projects over 1 MW that have not started construction before the passage of this legislation. This includes:
    - Payment of prevailing wages during construction, as well as labor on repairs or alterations during the 5 year recapture period on the ITC.
    - Utilization of apprenticeships during the construction period.
    - Projects smaller than 1 MW net output are exempt from these requirements and can receive the full/bonus ITC/PTC rates.

Direct Pay

- The legislation includes an option to elect direct pay for the ITC and PTC, as well as 48C. Direct pay is available at 100% for facilities which commence construction before 2024, 90% for facilities which commence construction in 2024, 85% for facilities which commence construction in 2025, and 0% for facilities which commence construction in 2026 and thereafter. Direct pay is only available for projects placed in service after December 31, 2021.
- Direct pay can be received at the 100% rate throughout the entire period of the extended tax credits if domestic content requirements are met or waivers applied.
- Direct pay is not included for Section 25D.

Transmission

- The legislation provides for a tax credit of 6% of the basis of qualifying electric transmission property or a bonus credit rate 30% of the basis of qualified electric transmission property if similar labor provisions described above are met.

- Qualifying electric transmission property is defined as tangible, depreciable property which is capable of transmitting electricity at a voltage of not less than 275 kilowatts and has a transmission capacity of not less than 500 megawatts or related transmission property.
- This credit is effective for property placed into service after December 31, 2021, and before January 1, 2032.

Domestic Manufacturing

- An additional 10% bonus credit on the ITC may be received if a project meets domestic content standards. 2% of this 10% is for meeting domestic content standards absent prevailing wage and apprenticeship standards. The additional 8% can be received if prevailing wage and apprenticeship standards are met.
- The legislation includes $2.5 billion per year over 10 years for 48C tax credits that are made available for capital expenditures on domestic energy manufacturing.

Low Income Solar

- This provision provides for an enhanced incentive for solar facilities qualifying for the ITC with respect to which the Secretary makes an allocation of environmental justice solar capacity limitation. Property eligible for the credit includes energy storage technology and interconnection property related to such solar property.
- The annual capacity limitation is 1.8 gigawatts for each calendar year 2022 through 2031. The annual capacity limitation shall be increased by the amount of any unused allocations from the preceding calendar year, but not beyond 2033.
- Such projects receiving an allocation of environmental justice solar capacity limitation receive an additional 10% credit if located in a low-income community or an additional 20% credit if such project is a qualifying low-income residential building project or a low-income economic benefit project.

Energy & Commerce Committee

The House Energy and Commerce Committee released legislative text for its portion of the reconciliation package, which is a sweeping proposal that touches on most of the economy.

Clean Electricity Performance Program

- $150 billion in a Clean Electricity Performance Program (CEPP) to be administered by the Department of Energy (DOE). The CEPP is designed to issue grants to electricity suppliers from 2023 through 2030 based on how much qualified clean electricity each supplier provides to customers.
- Clean energy is defined as generation with less than 0.1 MT / MWh, which would include nuclear, hydro, wind, and solar.
- Each Load Serving Entity's (LSE) clean energy baseline percentage will be calculated as the average of their 2019 and 2020 generation mix.
- LSEs will be expected to increase their clean energy percentage by 4% per year starting in 2023 and running through 2030.
- For LSEs that qualify for a grant payment, there will be a payment of $150/MWh for all MWh above an initial hurdle of 1.5% clean additions per year. Separately, there will be a penalty fee of $40/MWh for all MWh short of a 4% clean addition per year.
- Compliance methods will be determined by DOE and will likely involve self-certification through a REC-like mechanism for restructured LSEs.

Clean Vehicles

- $5 billion in replacing certain heavy-duty vehicles, such as refuse trucks and school buses through a new Environmental Protection Agency (EPA) grant program.
- Funding for associated electric vehicle infrastructure and workforce development and training.

Transmission

- $9 billion to assist states with siting transmission projects and to support DOE's transmission planning and modeling capabilities. This includes grants and loans for constructing and modernizing grid infrastructure across the seams between the Eastern and Western Interconnections, the domestic interties with the Electric Reliability Council of Texas, and for offshore wind projects.

Decarbonizing the Federal Government

- $17.5 billion in decarbonizing federal buildings and fleets, including support for DOE's Federal Energy Efficiency Fund and the agencies' efforts to procure 24/7 clean electricity and low carbon materials, as well as installing electric vehicle charging stations.

Supporting Families and Low-Income Communities

- $18 billion in home energy efficiency and appliance electrification rebates.
- $27.5 billion in nonprofit, state, and local climate finance institutions that support the rapid deployment of low- and zero-emission technologies with at least 40 percent of investments being made in low income and disadvantaged communities.
- $2.5 billion for planning and installing solar facilities and community solar projects that serve low-income households or multi-family affordable housing complexes.
- An eligible entity will be required to submit an application to the DOE
- Funding will also support development of these facilities in underserved areas and areas with high energy burden.