



## Background Memo on Clean Energy Tax Credit Package

### Request:

- (1) Reach out to Speaker Pelosi's office and request that the Speaker prioritize key clean energy tax incentives in a government funding bill that must pass by December 20th.
- (2) Additionally, we are recommending outreach to targeted Senators and Representatives asking them to weigh in directly with Senate and House leadership respectively to encourage them to prioritize clean energy tax incentives in end-of-year government funding legislation.

**Timing:** Outreach to members of Congress needs to happen as soon as possible - ideally by early-mid December. Congress must pass a government funding bill by December 20th.

For detailed outreach information, please contact Meredith Epstein at [mepstein@ceres.org](mailto:mepstein@ceres.org)

### Background:

The House Committee on Ways and Means released on November 19 the [GREEN Act](#), which is a discussion draft of clean energy tax incentive bills that would renew or extend climate-friendly tax incentives. We see the opportunity to get a clean energy tax credit package through Congress as the best near-term chance to pass legislation that will significantly help to reduce greenhouse gas emissions. **In fact - passing a version of this bill could be the most significant piece of climate-related legislation to go through Congress in close to 10 years. As such, it is an enormous priority for BICEP and climate advocates.**

The GREEN Act will likely not go through regular committee markup, but will rather serve as a [menu of options](#) for Congressional leadership to pick from and bargain over. Ultimately, whether the package (and individual provisions) becomes law will come down to whether it gets included in an end of the year deal that gets brokered by Congressional leadership. **This is where businesses and investors come in. We think our best shot of getting the package into the end of the year deal is if leadership makes it a priority for the package to be included.**

### Impact of the GREEN Act:

Recent [analysis from the Rhodium Group](#) has found that the GREEN Act would help contribute to a decrease of 100 million metric tons of greenhouse gas emissions by 2030. Enacting the provisions of the draft bill would spur deployment of up to nearly 60 gigawatts (GW) of new non-hydro renewable generation by 2030. The market share of these clean energy resources can at least double to 19-26% of total generation, up from 10% today. By extending the EV tax credit, 3.4 to 5.7 million more electric vehicles could be sold between today and 2030. This would accelerate EVs to 38% of all light-duty vehicle sales in 2030, up from just 3% in 2018.



## **Some Key Pieces of the GREEN Act:**

### Driving America Forward Act (H.R. 2256)

The Driving America Forward Act (with 102 cosponsors), is a bill to modify the electric vehicle tax credit by raising the volumetric cap from 200,000 to 600,000 vehicles eligible for a \$7000 consumer credit for each manufacturer. This modification to the EV tax credit is critical to continue the growth of a promising new manufacturing sector. As battery costs continue to decline, electric vehicles are projected to be cost competitive on an upfront cash basis with internal combustion engine vehicles by the mid 2020's. In the meantime, it is critical to ensure that this burgeoning industry remains strong. The Senate version of the bill has bipartisan support and is cosponsored by Senator Stabenow, Senator Alexander, Senator Peters, and Senator Collins. One stumbling block to the bill is that it has a high price tag and full-throated opposition from Senator Barrasso.

### Energy Storage Tax Incentive and Deployment Act of 2019 (H.R. 2096)

Energy storage can improve electric grid flexibility, reliability, and resilience and allow for the shift of electricity supply during periods of peak-demand. It also reduces risk by increasing resource options and helping the grid to react to unexpected changes in the system. In addition, energy storage enables greater renewable energy integration by increasing full-time availability of intermittent resources, providing emergency backup power, and aiding in stability during times of high energy use.

Currently, energy storage can only qualify for the federal investment tax credit (ITC) when coupled with a solar power project. This restriction makes it difficult for businesses and investors to take advantage of the range of energy storage applications across different energy-producing technologies, and ultimately it limits energy storage deployment. Making energy storage independently eligible for a 30% ITC (as proposed in this bipartisan legislation) would have a transformative impact; resolving the uncertainty facing businesses and energy storage providers, spurring private sector investment, creating jobs, and accelerating the transition to renewable energy.

### Offshore WIND Act (H.R. 3473)

Extending the ITC for offshore wind would help provide policy certainty at this critical time in offshore wind development and spur capital investment to harness the abundant energy available offshore. The ITC will enable the offshore wind energy to create tens of thousands of clean energy jobs and produce renewable domestic energy. Offshore wind remains more expensive than onshore wind, but has significant benefits, including higher capacity factors and proximity to load centers (especially along the East Coast). The recent delay in the permitting process for a major offshore wind farm by the Bureau of Ocean Energy Management raises specific concerns about the ability of first-mover projects to take advantage of the existing tax credit for wind energy - providing further justification for a dedicated tax incentive structure targeted at offshore wind.

### Energy Efficiency Incentives

Energy efficiency improvements reduce emissions, save businesses and residential customers money, and create jobs. In fact, in the U.S. low carbon economy, energy efficiency has created



more jobs than any other sector. The GREEN Act contains important updates to longstanding efficiency incentives for residential units, commercial buildings, and manufactured homes. These updates increase the value of the incentives and make them easier to access. In particular, the commercial buildings incentive is a great opportunity for companies to earn tax credits in return for key efficiency upgrades.

#### Financing Our Energy Future Act (H.R.3249/S.1841)

Master limited partnerships (MLPs) are a business structure that is taxed as a partnership at the shareholder level as opposed to the shareholder and corporate level. MLPs are appealing to investors and attract new capital. Currently, the tax code only makes MLPs available to energy projects that rely on fossil fuels. The bipartisan *Financing Our Energy Future Act*, introduced by Senators Coons and Moran and Representatives Thompson and Estes, would level the playing field and make MLPs available to all sources of domestic energy, including renewable energy sources such as wind, solar, and hydropower as well as energy technologies such as energy storage, carbon capture, and energy efficient buildings. This change to the tax code would spur new private capital investments in clean energy by giving clean energy businesses the same advantages already given to fossil fuel businesses.

#### Extending Tax Credits for Solar and On-shore Wind

The Green Act includes a five year extension for solar and onshore wind before the tax credit begins to phase down over two years. These extensions will ensure that clean electricity continues to be deployed at scale over the coming half decade - a decade in which the IPCC tells us we must reduce emissions by 45 percent.

The Republican Caucus is only likely to agree to this extension in return for the inclusion of technical corrections to the recently passed tax reform bill - the [Tax Cuts and Jobs Act](#). This would significantly aid in deployment of renewable energy and greatly aid in reducing carbon emissions. It is also the biggest lift and will be the hardest piece to negotiate with Senate Majority Leader McConnell. Our intelligence suggests that Democrats in Congress would be willing to allow passage of the technical corrections in return for inclusion of the tax credits for solar and wind power.

The GREEN Act also includes numerous other clean energy incentives including tax credits for previously owned EVs, commercial vehicles, and buses as well as [many others](#).

#### **Ways to Engage:**

Outreach to Speaker Pelosi: Making the clean energy tax credit package a priority for Democratic leadership will be essential to getting the package included in end-of-year horse-trading. It is especially critical that Speaker Pelosi makes it a top priority. Therefore, we recommend that companies and trade associations reach out directly to Speaker Pelosi's office through meetings, phone calls, or emails to ask her to prioritize the package. The Speaker is also more likely to make the case for the package if she hears from her caucus that this is important to them.



*Request for Speaker Pelosi & House Leadership:* Include as robust a package of clean energy tax incentives as possible in an end-of-year government funding bill. If the negotiations over tax provisions between Republicans and Democrats includes technical corrections to the recently passed tax reform bill (an extremely high priority for Republicans), it is critical to also include an extension of the existing solar and on-shore wind tax credits.

Outreach to House Democrats asking them to weigh in with Speaker Pelosi: Another helpful avenue for engagement would be to reach out to other House Democrats (especially in purple districts) to request that they ask Speaker Pelosi in member to member interactions to make the package a priority.

Outreach to targeted Senate Republicans asking them to weigh in with Majority Leader McConnell and Senate Finance Chairman Grassley: Softening the ground with Senate Majority leadership will help pave the way for negotiations that are favorable for clean energy incentives. Hearing from their caucus in support of bipartisan provisions could help ease the way for a deal with the broadest possible array of clean energy incentives.

*Request for Majority Leader McConnell and Senate Finance Chairman Grassley:* Support as many clean energy incentives as possible in an end-of-year government funding bill.

#### **Risks of Engagement:**

The outreach that we are suggesting is all private with no media or public-facing component and it is our assessment that there is little to no risk involved. There is opposition to the EV tax credit from Sen. Barrasso and the Heritage Foundation, but strong bipartisan support for it as well.

#### **Opportunities for Engagement:**

In addition to the clean energy and climate benefits of getting clean energy tax credit bills passed, there is an opportunity to build positive relationships with lawmaker offices. Supporters of the clean energy tax credit package include environmental groups, renewable energy businesses, and many major companies including the BICEP Network. Auto companies also support the EV tax credit.

#### **Questions?**

Feel free to reach out to Meredith Epstein ([mepstein@ceres.org](mailto:mepstein@ceres.org)) if you have any questions.

