

A glass globe is the central focus, resting on a bed of vibrant green moss. The globe's surface is highly reflective, mirroring a lush forest scene with tall trees and dense foliage. The reflection is inverted, with the top of the globe showing the upper canopy and the bottom showing the lower forest floor. The background is a soft, out-of-focus green, suggesting a natural, forested environment. The overall mood is serene and naturalistic.

Key Highlights

Key Highlights

- ❖ PTC and ITC restored and expanded for projects under construction by the end of 2024
 - Solar projects may choose PTC
- ❖ Clean Electricity tax credits, which are technology neutral, extend most credits to at least 2032
- ❖ Expanded and extended 45Q/carbon capture tax credit
- ❖ Stand-alone energy storage and interconnection property now qualify for ITC
- ❖ Prevailing wage requirements must be met for “full” credits
 - Generous grandfathering and cure rights

Key Highlights

- ❖ Domestic content, energy community, and low-income community rules offer bonus or adder credits
- ❖ New advanced manufacturing credit available to domestic manufacturers of clean energy components
- ❖ New clean hydrogen PTC and ITC
- ❖ Free transferability of most tax credits through 2032 (or later) and more limited tax credit refundability program (direct pay)
 - New transfer market must evolve – many unknowns, including credit price

Advanced Manufacturing Production Credit – Overview

New Credit Basics

Available for components of clean energy projects and minerals (e.g., solar and wind components, inverters, batteries, aluminum, graphite)

Two independent credits

Section 48C – applies for \$10B of allocated credits

Section 45X – automatic qualification based on eligibility

Requires production in the US and sale to an unrelated party

Credit amount varies dependent on material produced

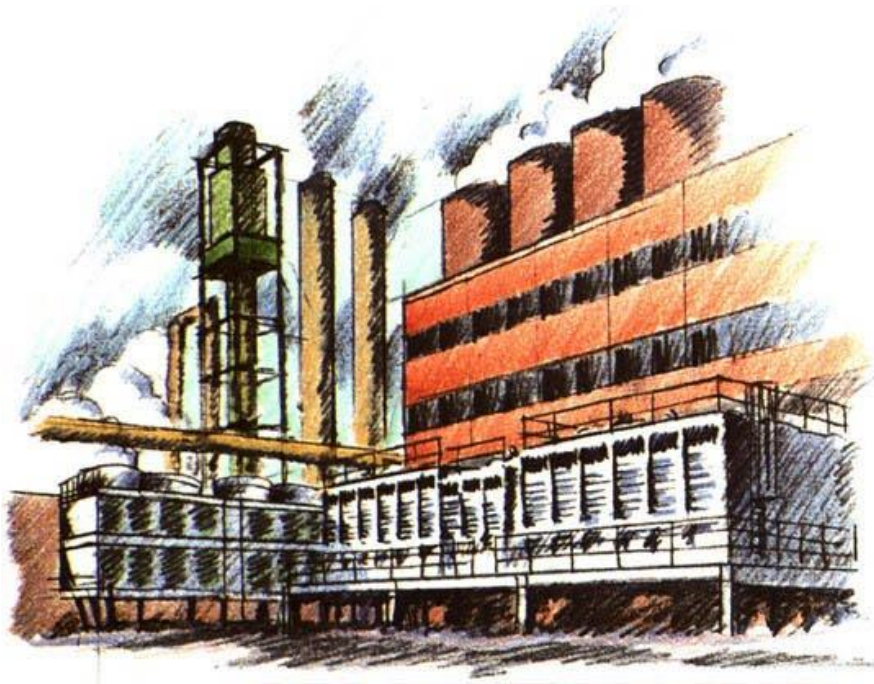
Full credits available for components sold from beginning of 2023 to end of 2029

No credit for components sold after 2032

Opportunity to Monetize

Direct pay available *for all taxpayers* for first 5 years

Transferability available as well



A glass globe is the central focus, resting on a bed of vibrant green moss. The globe's surface is highly reflective, mirroring a lush forest scene with tall trees and dense foliage. The reflection is inverted, creating a symmetrical effect. The background is a soft, out-of-focus green, suggesting a natural, forested environment. The overall mood is serene and eco-friendly.

New Tax Credit Architecture

Additional Credit Amounts

Domestic Content

Available for projects that use at least a minimum amount of domestic raw materials (i.e. steel, iron, minimum percentage of manufactured products)

Additional amount varies by credit

PTC: + 10% of available credit (EX: \$100 of PTCs → \$110)

ITC: + 10 percentage points of available credit (EX: 30% ITC → 40%)

Not available to carbon capture, clean hydrogen or advanced manufacturing

Generally must satisfy to elect direct pay (unless using domestic content would increase costs by more than 25%)

Minimum domestic content percentage increases over time and varies based on project type:

Percentage of Total Costs of Manufactured Products for Domestic Content Credit				
Start of Construction	Clean Electricity Production Credit Offshore Wind Facilities	Other Offshore Wind Facilities	Clean Electricity Production Credit Facilities	Other Facilities
Before 2025*	20%	20%	40%	40%
During 2025	27.5%	20%	45%	40%
During 2026	35%	20%	50%	40%
During 2027	45%	20%	55%	40%
After 2027	55%	20%	55%	40%

*If placed in service after 2022

Energy Community

Applicable projects receive 10% increase in PTC and a 10 percentage point increase in ITC (if wage/apprenticeship requirements met)

“Energy Communities” include:

Brownfield sites

Areas with certain rates of i) historic oil & gas or coal employment AND ii) current unemployment

Census tracts previously containing certain coal facilities

Guidance needed to understand appropriate metrics and time periods for measuring energy community status

Additional Credit Amounts – Market Observations

- ❖ New additional credit amounts apply only to post-2022 projects, incentivizing possible delay into 2023
- ❖ Certainty around adders will likely require Treasury guidance, complicating current deals
- ❖ Definition of “manufactured component” particularly important
- ❖ Need to determine if tax equity fundings can accommodate larger credit amounts within market constraints
- ❖ Developing document provisions around possibility of increased credits has many permutations
- ❖ No clear guidance on projects that “straddle” census tracts
- ❖ ITC adders more generous than PTC adders

Monetization Options: Direct Pay & Transferability

Direct Pay

Only available to fairly limited category of “applicable entities” (generally tax-exempt organizations and governmental entities for most credits)

Available to property PIS after 2022

Election made at owner level, and owner may be partnership or disregarded entity

If direct pay is elected, the entities are not eligible to transfer the credits

Transferability

Taxpayers who are not eligible for the direct pay program are eligible to elect to transfer all or a portion of an eligible credit to an unrelated buyer in exchange for cash

Election to transfer made with respect to each facility

Payments from the sale of a tax credit are not included in gross income by the seller and are not deductible by the buyer

No subsequent transfer of the credit is permitted

Credit carryforwards and carrybacks are not eligible for transfer

Owner of the project may not be tax-exempt entity

If the direct holder of a facility is a partnership, the election to transfer is made at the partnership level

If the direct holder is a disregarded entity, the election is made at the level of the first regarded owner

Does not apply until 2023 and election may not be made earlier than 180 days after enactment of IRA (i.e., 2/12/23)