



**BLUEGREEN
ALLIANCE**



CLEAN ENERGY TAX RECONCILIATION FACT SHEET

Passing a budget reconciliation bill is the most significant jobs and climate opportunity in decades.

The budget reconciliation bill **passed by the United States House of Representatives this past fall** would help stem the tide of climate change through investing in a clean energy economy and supporting jobs across the country. We are at a critical point in this effort; the science is unambiguous that we need to take strong action right now. To avoid the catastrophic consequences of climate change, we must ensure rapid greenhouse gas emissions reductions to put America on a pathway of reducing its emissions to net zero by 2050 and to ensure we are solidly on that path by 2030.

At the same time, we must ensure that the jobs created in the energy economy are high quality, family sustaining union jobs. Our country is struggling with deep and crippling racial and economic inequalities. According to the Economic Policy Institute, “the bottom 90% of the American workforce has seen their pay shrink radically as a share of total income,” from 58% in 1979 to 47% in 2015.¹ That is almost \$11,000 per household—or \$1.35 trillion in additional labor income. There is a direct correlation with the decrease of worker power over this time, as the share of workers in a union fell from 24% in 1979 to under 11% now.² A budget reconciliation bill, through renewed and newly established tax credits for clean energy, will not only help drastically reduce emissions, but provide high quality jobs in the clean energy economy. The bill, for the first time ever, ensures high-road labor standards go hand in hand with clean

energy deployment. Further, this legislation will help address the racial and economic gap in this country, by ensuring that these credits go to historically marginalized communities.

This bill also includes historic investments in the expansion and retooling of domestic clean energy manufacturing, as well as the necessary investments to establish robust supply chains for critical clean technologies—all while building good jobs nationwide and investing in the communities that need it most. All of the United States’ major economic competitors are making significant and strategic investments in the production and deployment of these technologies.

This legislation provides the largest investment into our manufacturing economy in decades and would make strategic investments that will make the U.S. a leading global supplier of clean energy technologies.

At a time when inflation is hitting working-class Americans the hardest, we need policies that lift the burden of inflation. Recent reporting from the Rhodium Group shows that investments structured like those in the reconciliation legislation passed by the U.S. House of Representatives last fall would save the average American household up to \$500 in energy costs annually. Further, this bill would result in a nearly 75% decrease in power sector emissions below 2005 levels by 2031. These investments would not only be fully paid for upfront, but would have the added benefit of a significant return on investment ranging from \$355 billion to \$1.8 trillion.³

The build out of clean energy and domestic clean technology manufacturing and supply chains is not only good for our climate and economy, but can support our energy independence and security. We have an opportunity to pass legislation that will address climate change, create and support good union jobs, and benefit workers and communities across the country. And we can do this while getting a massive return on investment and ensuring our competitiveness in the global energy economy.

CLEAN ENERGY DEPLOYMENT TAX CREDITS

The Build Back Better Act invests **\$320 billion for new and existing clean energy tax credits** that will drive down carbon emissions, bringing us closer to our climate goals. These tax incentives support a myriad of technologies including solar, onshore and offshore wind, and transmission. These credits are structured as an investment tax credit (ITC) or production tax credit (PTC), which, respectively, credit project developers with a percentage of the overall upfront costs of the project or based on how much energy is produced hourly from the project. This includes:

- Two tiers of **Investment Tax Credits**: a “base rate” of 6%, and an additional “bonus rate” of 30% when prevailing wage and registered apprenticeship requirements are met. The ITC begins to phase down starting in 2031.
- Two tiers of **Production Tax Credits**: the production credits in the bill are similarly structured as a two tier “base rate” of \$ 0.5 cents/ per kwh and a “bonus rate” of \$2.5 per kwh. Again, in order to obtain the bonus rate, prevailing wage and registered apprenticeship requirements need to be met. The Production tax credit starts to phase down in 2031.

These credits are coupled with strong labor standards to ensure jobs in the clean energy economy are high-quality, family sustaining jobs.

- **Prevailing wage** is a survey of the pay across any given industry to provide a floor for compensation. This wage is a competitive, family sustaining wage that ensures that workers receive fair compensation, and that companies don’t have a race to the bottom when it comes to their pay.
- **Registered apprenticeship utilization** are programs which allow apprentices to “earn as they learn,” and gain experience in construction-related jobs. These programs create high-skilled,

educated workers who receive on the job training, while expanding opportunities to historically marginalized communities.

Domestic Content Bonus Tax Credit: Both the ITC and PTC have the option for an additional 10% tax credit for utilizing domestic content. This is the first time a ‘Buy America’ preference has been applied to tax credits. This provision will incentivize American manufacturing by creating a high demand for domestically produced clean technology and materials going into clean energy projects. Domestic content utilization will create a market for domestically made advanced technologies like solar module components and offshore wind components.

This credit is optional for developers to use, however, in order to receive direct pay for the entirety of the credits, developers must utilize domestic content preferences starting in 2026. Direct pay allows for companies to utilize their tax credits up front, as opposed to the end of the tax year. This allows for a more competitive market of clean energy deployment.

Buy America is a policy that requires that infrastructure projects receiving government funds procure materials domestically. This policy ensures that our tax dollars are not only accomplishing public works projects benefiting the taxpayer, but also are supporting jobs and industry here at home.

Energy Communities Bonus Tax Credit: An additional tax credit of 10% is available for clean energy projects that are developed in census tract communities in which historically 5% or more of the population worked in the energy sector. Communities that have seen coal mine closures since 1999 or coal fired power plant closures since 2009 qualify. This credit, along with the low income communities credit, is available on top of the domestic content and production/ investment tax credits.

Low Income Communities Bonus Tax Credit: An additional tax credit of 10% is also available for the development of wind and solar projects in a low income community, defined as 200% below the federal poverty line. Associated grid technology—such as battery storage and transmission associated with new wind or solar projects—would also qualify. This provision is targeted to spur economic development in historically marginalized communities, and addresses the reality of these communities facing the brunt of climate change and pollution for decades.

The updated Electric Vehicle (36C) Consumer Tax Credit is extended and expanded to accelerate the adoption of electric vehicles while onshoring the EV supply chain with good union jobs. Any customer purchasing a domestically manufactured EV will earn a \$7,500 tax credit. An added credit of \$4,500 will be offered for drivers purchasing vehicles made in union facilities, plus a \$500 credit for buying a vehicle with a domestically manufactured battery. All told, with the updated EV consumer tax credit, a consumer could save up to \$12,500 for a U.S.- and union-made EV, compared to a maximum benefit of \$7,500 through the existing credit. Additionally, the updated credit is better targeted with new MSRP and income caps. Credits apply only to new cars under \$55k, and new trucks, vans, and SUVs under \$80k. The tax credit also begins to phase out for individuals with an income higher than \$250k, or households over \$500k.

MANUFACTURING TAX CREDITS

Investment Tax Credit to Build or Re-Tool

Manufacturing Facilities: The Build Back Better Act includes \$25 billion in funding for a revitalized and expanded 48C Advanced Manufacturing tax credit to spur domestic manufacturing of essential clean energy and vehicle technologies. The 48C tax credit funds a wide range of clean technology manufacturing projects. \$8 billion dollars of these funds are set aside for communities that need it most, including those that have experienced deindustrialization and the decline of energy jobs. Every \$1 billion issued annually through a new 48C credit program could add \$3.6 billion in GDP and create nearly 23,000 direct and induced jobs.

Enactment of new clean technology manufacturing tax credits—The bill adopts important new strategic manufacturing production tax credits to onshore, establish, and expand domestic manufacturing supply chains for critical wind and solar technologies—a multi-billion dollar need. While the 48C credit has been highly effective in making diverse, small- and medium-sized investments across clean technology sectors, there remain supply chains that warrant larger scale, targeted and sustained investments due to a

ENDNOTES

1 Environmental Policy Institute, “What labor market changes have generated inequality and wage suppression?” 2019. Available online: <https://www.epi.org/publication/what-labor-market-changes-have-generated-inequality-and-wage-suppression-employer-power-is-significant-but-largely-constant-where-as-workers-power-has-been-eroded-by-policy-actions/>

2 *ibid*

lack of substantial domestic manufacturing capacity, stiff global competition, and recent disruptions. For instance, the **Advanced Manufacturing Production Credit** will be critical for building out a responsibly sourced domestic clean energy supply chain in tandem with the president's bold climate goals.

- **Solar:** similar to the Solar Energy Manufacturing Act, the bill would provide a tax credit to manufacturers of component parts for PV solar panels, including solar modules, polysilicon, trackers, Inverters, and wafers.
- **Wind:** similar to the Offshore Wind American Manufacturing Act, the bill would provide a tax credit to manufacturers of wind components, specifically nacelle assembly, blades, towers, and offshore wind foundations.
- **Semiconductors:** The bill also creates a new manufacturing investment tax credit to establish and expand domestic semiconductor manufacturing. This provision would provide a tax credit that would support retooling or establishing a manufacturing facility for the production of semiconductors.

Manufacturing has a long history of supplying good-paying jobs to workers across this country and has been the backbone of the American middle class. However, the United States is not taking full advantage of the opportunity to support and strengthen domestic manufacturing. Decades of bad policy, offshoring, and outsourcing have weakened supply chains and caused the loss of millions of manufacturing jobs. The COVID-19 crisis has underscored the central importance of manufacturing to the country's economy and security, while revealing profound weaknesses in our critical supply chains.

If we fail to make the investments needed and put in place smart policies, American manufacturing will continue to weaken. **We have a key opportunity to reverse this trend and invest in growing clean technology manufacturing and supply chains in the U.S.**

3 Rhodium Group, “Assessing the Costs and Benefits of Clean Electricity Tax Credits,” 2022. Available Online: <https://rhg.com/research/assessing-the-costs-and-benefits-of-clean-electricity-tax-credits/>