

September 11, 2021

The Honorable Richard Neal
1102 Longworth House Office Building
Washington D.C. 20515

The Honorable Kevin Brady
1139 Longworth House Office Building
Washington D.C. 20515

Dear Chairman Neal, Ranking Member Brady, and Honorable Members of the House Ways & Means Committee:

Congress has been confronted with a series of immense challenges in 2021—from orchestrating an economic recovery from the pandemic to answering the growing and more dire calls for climate action, evidenced by recent extreme heatwaves, intense wildfires, and destructive storms like Hurricane Ida. This Congress has a once-in-a-generation opportunity to address the climate crisis, strengthen American leadership in clean industries of the future, and launch the United States into this new decade with the tools to succeed.

The undersigned groups urge the Ways & Means Committee to advance legislation that will establish and extend clean energy tax credits for critical technologies that will put us on a pathway to achieve economy-wide decarbonization by midcentury. Decisive policy that creates incentives and a stable business environment over the next decade can help solve the climate crisis, create jobs, reinvigorate America's industrial communities, and alleviate burdens on communities disproportionately impacted by the negative health impacts of air pollution.

To accomplish this vision, **the U.S. must do more to get emerging and enabling clean energy technologies a foothold in the market.** Around 35% of the cumulative CO₂ emission reductions needed to shift the world to a sustainable path come from technologies currently at the prototype or demonstration phase. Another 40% rely on technologies not yet commercially deployed at scale. Investments in these technologies will be critical to achieving 100% net-zero emissions by 2050, particularly in hard to abate sectors like industry and aviation, where emerging technologies will play a crucial role in the coming decades. Pairing emerging technology credits with additional credits for mature and existing clean energy resources will help us rapidly get on a path to near- and long-term economy-wide emission reductions.

To achieve these objectives, the committee's clean energy tax framework must include investments in these emerging and enabling technologies:

- **Advanced Energy Manufacturing:** The Section 48C Advanced Energy Manufacturing Tax Credit should be updated and expanded to invest at least \$12 billion in modernizing, expanding, and building new facilities that make or recycle energy-related products; and reducing emissions from industrial facilities.
- **Transmission:** New high voltage regionally significant transmission lines and upgrades that bring more clean energy onto the grid and improve system reliability should be eligible to claim a 30% investment tax credit (ITC) for the next 10 years.
- **Energy Storage:** The Section 48 ITC should be expanded to include standalone storage, including batteries, pumped hydro, thermal storage, and hydrogen. The ITC for storage should be available for 10 years at the full 30% rate.
- **Clean Hydrogen:** The developer of a clean hydrogen facility should be able to elect to take a \$3/kg production tax credit for 10 years or a 30% investment tax credit.
- **Carbon Capture & Storage (CCS):** The Section 45Q tax credit for CCS should be extended, making it available for the next 10 years, and increased up to \$85 for capturing hard-to-decarbonize industrial and power sector emissions and up to \$175 for direct air capture (DAC) technologies.
- **Sustainable Aviation Fuels (SAF):** A blender's tax credit for SAF that achieve deep life-cycle greenhouse gas reductions with levels starting at \$1.50/gallon, available for the next decade, can help SAF reach price parity with conventional jet fuel and incentivize further innovation in clean jet fuel technologies.

A comprehensive and effective clean energy tax framework should also include extending existing clean energy tax credits for mature technologies like wind, solar, and existing nuclear. Providing decade-long policy certainty could also encourage private investments in manufacturing capacity for renewable energy components. Establishing and sustaining the following credits will serve to expedite the entry of low-cost renewable energy onto the grid:

- **Wind Energy:** The Section 45 PTC for wind energy should be extended 10 years, and the credit should be returned to its initial value or higher.
- **Solar Energy:** The Section 48 ITC for solar energy should be extended 10 years, and the credit should be returned to its initial value or higher.
- **Existing Nuclear Power:** Existing nuclear facilities facing financial challenges should be eligible to receive a production tax credit (PTC) incentive to remain open and producing zero-emission electric power. \$1 billion each year in allocated credits should be available for the nuclear fleet to bid on for the next decade. Failing to preserve our nuclear fleet could risk emissions backsliding in the power sector.

These policies together represent a clear signal to the market and a decisive step towards zero-carbon. Harmonizing these policies with the following strategies will maximize emission reductions and technology deployment and create financing flexibility.

- Allowing projects, especially technologies in the early stages of deployment, to **couple these credits with other grants and financing from the federal government** will help get the innovations we need over the metaphorical technology “valley of death” and into full-scale commercialization.
- Developers should be allowed to receive the full value of the tax credits through a **“direct pay” option** instead of losing value by seeking costly and insufficient tax equity financing.
- Clean energy developers should have the **option of taking any credit based on project economics** rather than the type of technology.
- The committee should also **consider a “credit multiplier” for emerging technologies** like advanced nuclear. This concept has been explored in the *Energy Sector Innovation Credit (ESIC) Act of 2021* and should be given serious consideration as part of any clean energy tax package.

This Congress can usher in a new American industrial revolution for the 21st-century, powered by clean energy. By making these investments, Congress can create opportunities for communities that may not have seen economic development in decades. **These tax incentives, or equivalent tax policies that encourage innovation in the energy sector, will decarbonize our economy while ensuring American families and businesses have access to affordable, on-demand energy.**

We thank you for your serious and urgent consideration of these policies. We stand ready to support your efforts to deliver on the clean energy agenda for the American people.

Sincerely,

Bipartisan Policy Center Action
Center for Climate and Energy Solutions (C2ES)
Clean Air Task Force
Data for Progress
Third Way