



## *Follow the Money:*

Understanding Grants, Credits,  
and Incentives from the Inflation  
Reduction Act (IRA)

# What is PowerOptions

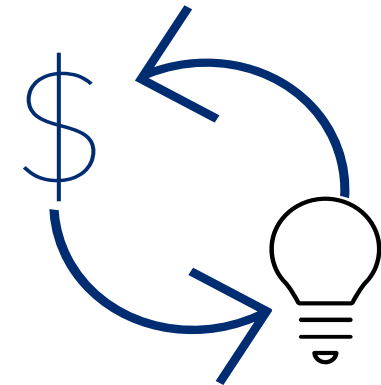
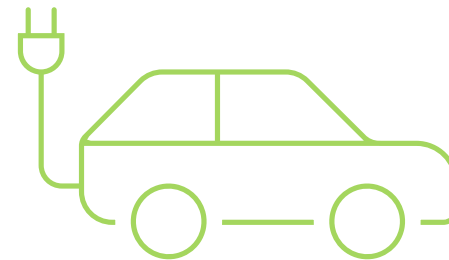
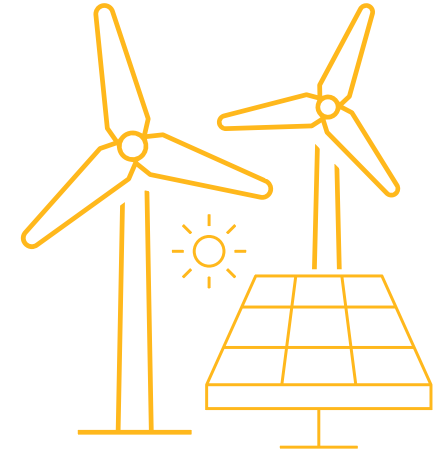
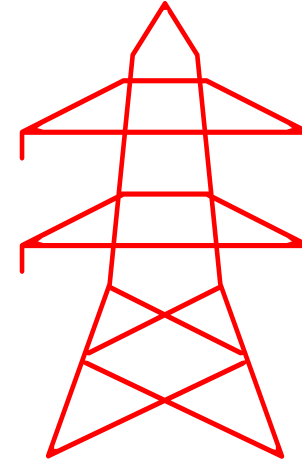
We give our members “*peace of mind.*”

**Trusted advisor since 1998:** Your one-stop-shop for all things energy.

**Flexible energy programs:** Large or small, each member is priced on their own load profile.

**Mission Driven:** Reduce the cost, carbon, and complexity of energy for nonprofits and public entities.

**Consortium leverage:** We provide programs that leverage buying power and ensure customer protections.



**495**  
members

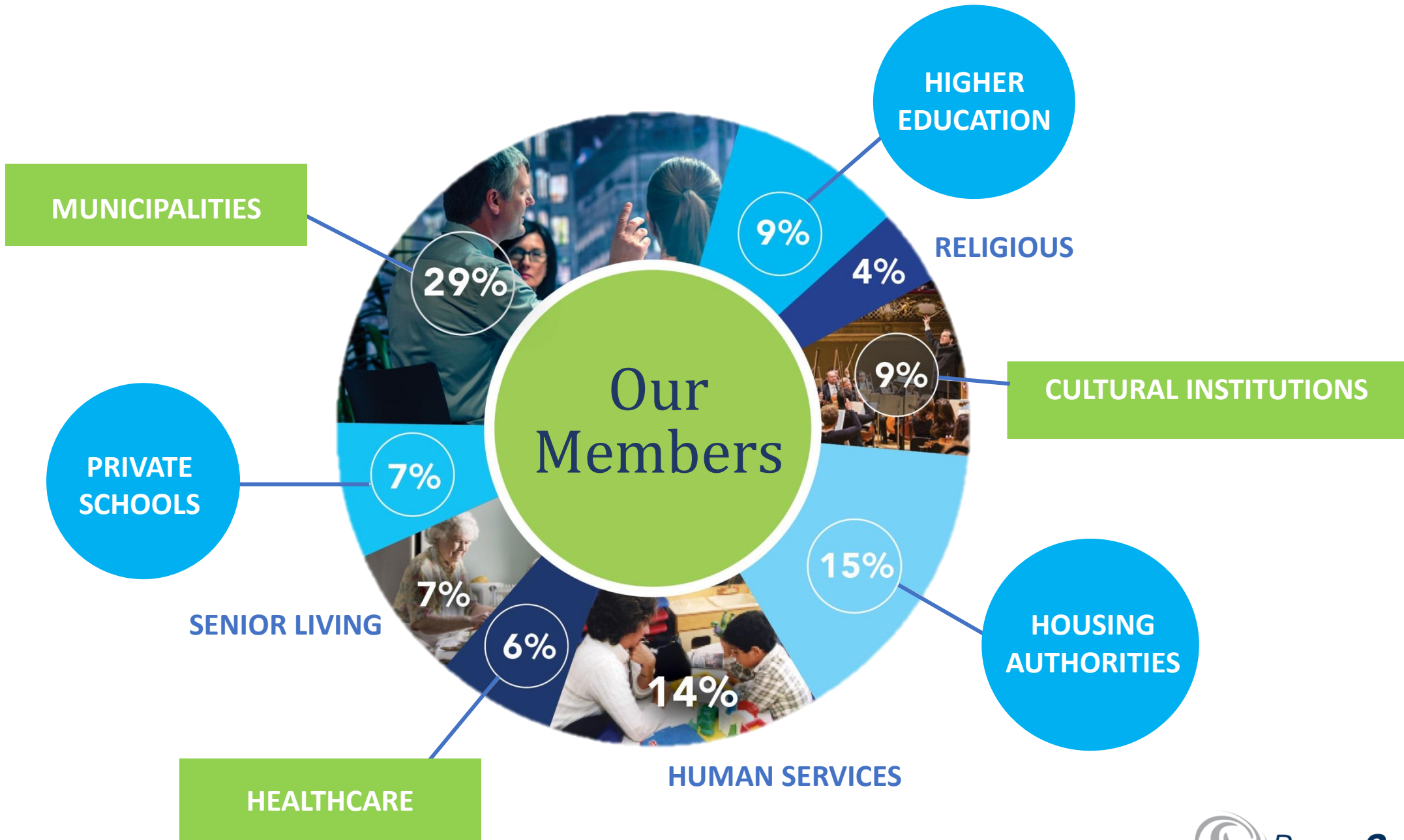
**85+**  
MWs  
SOLAR

**25**  
years serving  
nonprofits

**820m**  
kWh  
ELECTRICITY

**\$120m**  
ANNUAL ENERGY  
SUPPLY SALES

**11M Dth**  
NATURAL  
GAS



# A Tsunami of Money

- Over the past year, the federal and state government have created a surplus of programs and initiatives to revitalize the energy economy
- Billions of dollars are (or will soon be) available to businesses, nonprofits, local governments, and other tax-exempt entities via federal funding



# Where is the Money Coming From?

1

The Federal Infrastructure Law

The Inflation Reduction Act

2

3

CHIPS and Science Act

# Where is the Money Coming From?

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The Federal Infrastructure Law

The Inflation Reduction Act

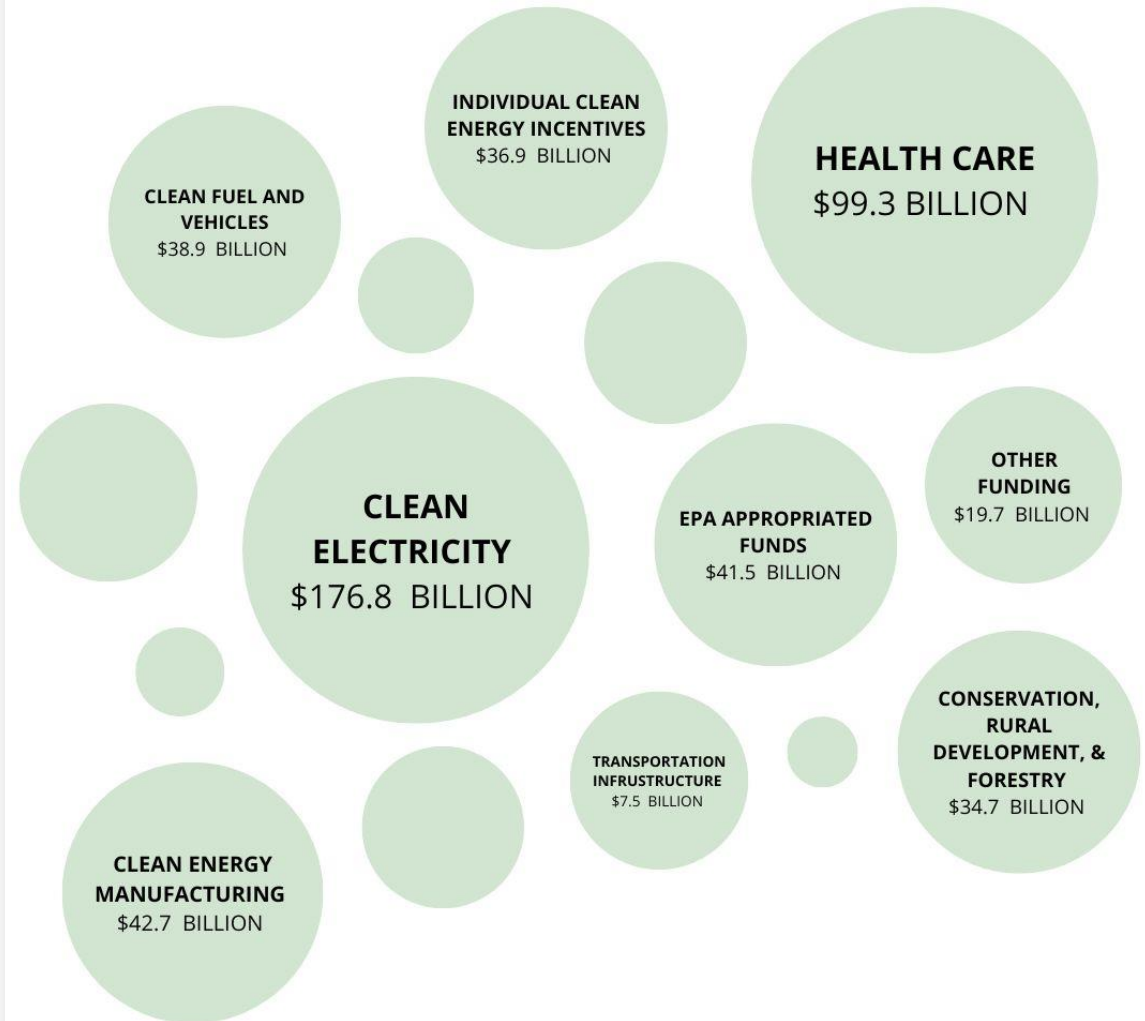
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3

CHIPS and Science Act

# Overview: Inflation Reduction Act

- The bulk of funding is allocated toward climate change and energy investments
  - \$394 billion over 10 years
  - Roughly 2/3 of this spending is through tax credits
  - Nearly \$3.5 trillion in capital investments in new US energy supply infrastructure
- RMI and WRI Tool (Rocky Mountain Institute and World Resource Institute)
  - Programs are easily searchable by project type, type of applicant, and other factors.





# Clean Energy Funding

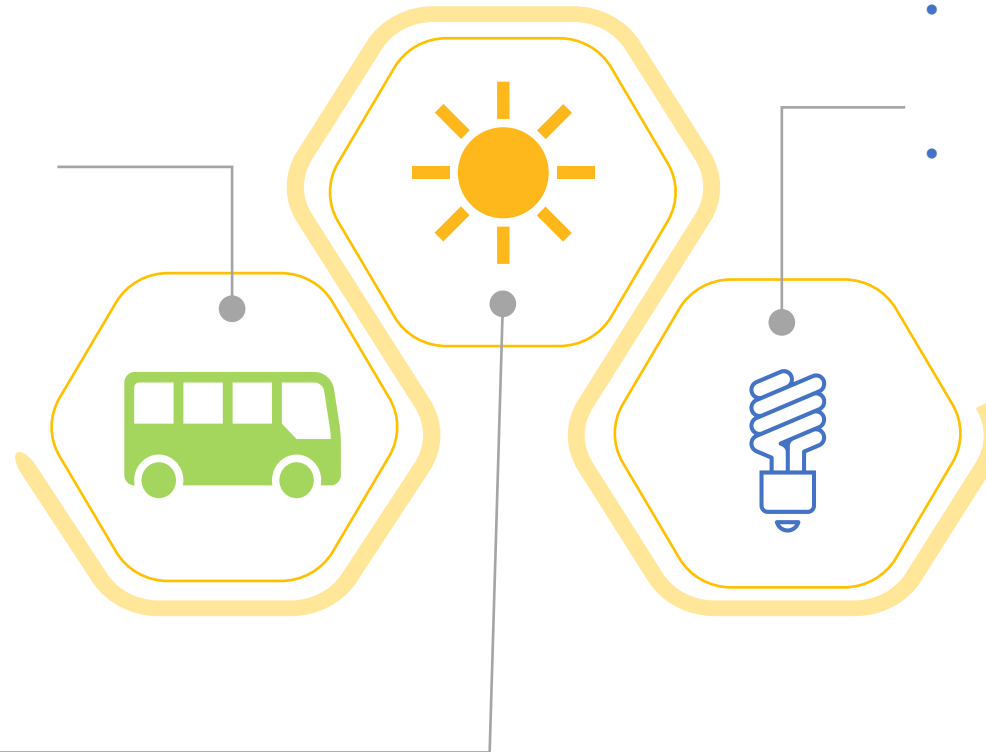
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## Clean Transportation

- \$14.2 Billion: Tax credits for new and used electric vehicles
- \$13.2: Clean hydrogen production
- \$8.6 Billion: Fuel tax credits
- \$2.9 Billion: Financing clean energy vehicles

## Solar + Storage & Renewables

- \$51.1 Billion: Extending existing tax credits for wind and solar
- \$62.7: New tax credits for emissions-free electricity sources and storage



## Energy Efficiency

- Funding for Energy Efficient upgrades in commercial/non-profit/municipal buildings
- Billions of dollars in available grants

# Solar and Storage Renewables

- **Expansion of the Investment Tax Credit (ITC)\* for solar projects** beginning construction before January 1, 2025.
  - Base rate of 6% / 30%
  - Bonus tax credits available, capping out at a 50-60% savings
  - Standalone energy storage projects and interconnection costs now eligible
  - The ITC will be set at 26% (previous rate) for any project beginning construction after 2019, assuming the project is placed in service before January 1, 2021.
  - Projects placed in service after December 31, 2021, and which begin construction before January 1, 2025, will be eligible for the new credit (6% base, up to 60% with bonus)
- **Reinstatement of the Production Tax Credit (PTC) for solar projects** placed in service after December 31, 2021
  - The PTC generates credit for each kilowatt-hour produced for the first ten years of a project's lifetime
  - The base PTC is 0.3¢ / 2.6 ¢ per kWh for projects greater than 1 MWac (megawatt alternating current)
  - Can claim the PTC instead of the ITC, depending on which is more lucrative

**DIRECT PAY  
OPTION  
AVAILABLE  
Stackable!**

# Wage and Apprenticeship Requirement

*\*Only applicable to projects greater than 1MW (solar projects)\**

- To claim the full value, projects must comply with prevailing wage and apprentice requirements
  - ITC maxes out at 30% cost of project
  - PTC maxes out at 2.6 ¢ /kWh in 2022
- **Prevailing wage requirement:** laborers, mechanics, contractors and subcontractors must be paid wages at least at prevailing rates
- **Apprenticeship requirement:** 10-15% of total labor hours for construction, alteration or repair work on the qualified facility must be performed by qualified apprentices

Construction Begins	Before 1/1/23	During 2023	After 1/1/24
Required Percentage	10%	12.5%	15%



# Understanding Bonus Credits for ITC and PTC

*A new feature that was introduced the ITC and PTC is the ability to claim additional “bonus” credits, which can be as high as 50-60% for the ITC and 2.6 ¢ /kWh for the PTC, regardless of system size.*

- Projects that meet a “**domestic content**” requirement are eligible for a 10% bonus credit
  - **Must be consistent with BABA** (all iron and steel manufacturing processes must take place in the United States and 40% of manufactured products are manufactured in US)
  - **10% will be awarded** for projects that follow the prevailing wage and apprenticeship requirements. Otherwise, a bonus of 2% will be awarded.
- Projects located in “**energy communities**” are eligible for a bonus credit of up to 10%
  - A coal mine closed after December 31, 1999
  - 25% or greater local tax revenues related to the extraction, processing, transport or storage of coal, oil or natural gas
  - Brownfield sites
  - **10% will be awarded** for projects that follow the prevailing wage and apprenticeship requirements. Otherwise, a bonus of 2% will be awarded.
- Projects located in certain **low-income communities** are eligible for a bonus credit of **up to 20%**
  - Census shows the poverty rate is less than 80% of statewide median
  - A qualified low-income residential building project or a qualified low-income economic benefit project.

# Clean Transportation

*The IRA creates and expands on existing tax incentives for electric vehicle transportation. More info in upcoming months*

**Refueling Infrastructure Tax Credit** through 2032, and retroactively to the beginning of 2022

- Previously, the credit amount was capped at \$30,000 per location.
- Under the IRA, the credit now max's out at \$100,000, and will provide 30% of the cost per charger + installation
- Like other tax provisions in the IRA, the project must comply with the Wage and Apprenticeship Requirements and BABA, otherwise the base credit is only 6%.

**Commercial Electric Vehicle Tax Credit - NEW**

- A tax credit of up to 30% the cost of eligible EV OR the incremental cost between the electric vehicle and a comparable internal combustion vehicle (whichever is less)
- Hybrid vehicles that have an internal combustion engine and at least a 15-kWh battery qualify for a 15% credit
- The maximum credit amounts are based on the weight, with heavy-weight vehicles (over 14,000lbs) capped at \$40,000, and light-weight vehicles (less than 14,000lbs) capped at \$7,500.

**DIRECT PAY  
OPTION  
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**DIRECT PAY  
OPTION *NOT*  
AVAILABLE**  
*Stackable!*

## Energy Efficiency & Building Electrification

**Commercial Buildings Energy-Efficiency Tax Deduction**, new rules generally begin in 2023 and are indefinite.

- Eligible entities will be provided a cost deduction on projects related to energy efficiency in commercial buildings
- Base credit amount:
  - A sliding scale of 50 cents/sqft of energy savings of 25% (\$2.50/sqft if prevailing wage and apprentice requirements are met)
  - Up to \$1 for energy savings of 50% or more (\$5.00/sqft if prevailing wage and apprentice requirements are met)
- While ***some*** tax-exempt entities are eligible, savings ***will not*** come through a direct pay option
- Eligibility:
  - Businesses and for-profit entities
  - Systems built on federal, state, and local government property

# EPA Appropriated Funding

## *Clean Vehicle Funding and DERA*

### **Clean Heavy-Duty Vehicle Program**

- EPA will be distributing this \$1 billion in funding for clean heavy-duty vehicles between now and 2031
- EPA accepted input on program implantation via a nonregulatory docket in December 2022
- \$400 Million will be going to communities in nonattainment areas.
- Grants and/or rebates to eligible recipients to:
  - Replace existing heavy-duty vehicles with clean, zero-emission vehicles
  - Zero-emission vehicle infrastructure
  - Workforce development and training
  - Planning and technical activities

### **Diesel Emissions Reduction Act**

- \$60 million to replace legacy diesel equipment with cleaner versions in low-income, disadvantaged communities
- Opening in Winter 2023



# EPA Appropriated Funding

## *Environmental Justice Funding*

*The IRA will direct billions of dollars to communities based on various EJ-related criteria, including income, energy burden, and demographics. The IRA allocates 100 million for financial and technical assistance to address clean air and climate pollution in disadvantaged communities*

**BOTH  
Applications  
Open NOW –  
Due 4/10/23**

### **Environmental Justice Block Grants (Environmental Justice Collaborative Problem-Solving (EJCPS) Cooperative Agreement Program)**

- To support eligible organizations in developing and implementing projects that address environmental or public health issues in local communities.
- Eligibility: Community-based nonprofit organizations and partners.

### **Environmental Justice Block Grants - (Environmental Justice Government-to-Government (EJG2G) Program)**

- Create state activities resulting in measurable environmental or public health benefits
- Eligibility: A partnership between a state/local government and a community-based nonprofit organization



# EPA

## Appropriated Funding

*Greenbank/Greenhouse  
Gases Reduction*

*27 Billion to capitalize on existing and new green banks and fund state and local government investment in distributed energy and other clean technologies*

- Over 40% of these investments will go to low-income and disadvantaged communities
- Nearly \$20 billion for competitive grants
- \$30 million is designated for administrative costs
- Applications TBD - funds are available until September 30, 2024

# Other Inflation Reduction Act - EPA Appropriated Funding (Cont.)

*The IRA also includes funding for several grant programs, including:*

EPA accepted input on program implantation via a nonregulatory docket in December 2022

- **Building Codes:** \$1 billion in grants to provide technical assistants to states and local governments in setting ambitious building codes.
- **Affordable Housing:** \$1 billion in U.S. Department of Housing and Urban Development loans to support efficiency and resiliency upgrades to affordable housing.
- **Climate Pollution Plans and Implementation Grants:** ~\$5 billion pollution plans and implementation grants.
  - This includes \$200 million for technical assistance grants



## DIRECT PAY CLARIFICATION

- The IRA is allowing certain tax-exempt entities, including state and local governments, to **receive tax credits as “direct pay”**
- This means that qualifying entities will receive a payment from the Treasury in lieu of claiming a tax credit
- If you do not meet the **domestic content requirements (BABA)**, the following amount of the credit can be claimed (for ITC and PTC):
  - Construction begins before 2024: 100%
  - Construction begins during 2024: 90%
  - Construction begins during 2025: 85%
  - Construction begins after 2025: not permitted
- **Domestic content waivers** for receiving direct payment may be granted if:
  - Domestic products would increase the overall cost of the facility by more than 25%
  - When satisfactory domestic products are not available.

# The Energy Team that Works for you

PowerOptions' staff has decades of experience and includes experts in utilities, renewables, efficiency, and competitive supply markets. With this kind of knowledge and expertise, we can help with any and all of your energy needs.

Contact us today at: [energyteam@poweroptions.org](mailto:energyteam@poweroptions.org)  
Learn more at: [www.poweroptions.org](http://www.poweroptions.org)



THANK YOU

