A “Game-Changer” – Recently Passed IRA Gives Tribes New Avenues to Clean Energy Funding

Presented by: Pilar Thomas, Partner
MTERA
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Agenda

Overview of Key Tribal Energy Development Opportunities
Overview of IRA
Implementation Next Steps
Recommendations
Key Tribal Clean Energy Development Opportunities

- Utility – Commercial Scale Development: Solar, Wind, Geothermal, Hydrogen
- Distributed / Community Solar, Wind, Geothermal
- Microgrids & Storage
- Energy Efficiency
- Beneficial Electrification
Overview of Inflation Reduction Act

• Tribal Specific Programs
• Tax Benefits (Credits and Deductions)
• Environmental Programs
Tribal Specific Programs

• **DOE Programs**
  - Tribal Energy Loan Guarantee Program (TELGP)
    - Increases loan authority to $20 billion
    - Allows up to 100% guarantee
    - Direct loans now available – but limited time
  - LMI High Efficiency Electric Home Rebate
    - $225 million for high-efficiency home electrification rebates

• **DOI Programs**
  - $220 million for climate resiliency
  - $145 million to electrify homes
    - Provide electricity to unelectrified Tribal homes through zero-emissions energy systems;
    - Transition electrified Tribal homes to zero-emissions energy systems; and
    - Home repairs and retrofitting necessary to install the zero-emissions energy systems.
  - One time distribution through 638 contracts/compacts.
Tax Benefits – Credits and Deductions

• Direct Pay for Tribal Governments
• Investment Tax Credit
• Production Tax Credit
• EV Vehicle and Charging Station Tax Credits
• Residential Tax Credits
Tax Benefits – Direct Pay

• Direct Pay for tribal governments.
  • Effective for projects that begin construction after Jan. 1, 2023.

• Applies to long list of clean energy technologies.

• Payment from Treasury equal to tax credit.
Tax Benefits – Investment Tax Credit

• One time tax credit, received after placed into operation.
  • Based on "cost basis" or "fair market value" of project.
• Extended to 2025; will be replaced with new "clean electricity investment tax credit" (CEITC) (technology neutral) from 2026 – 2033.
• Extended to geothermal heat pumps and standalone storage; interconnection costs if < 5 MW.
• Tax credit amount based on:
  • Prevailing wage/apprenticeship (30%) (not required for less than 1 MW)
  • Domestic content (10%) (not required for less than 1 MW)
  • Energy community (10%)
Tax Benefits – Environmental Justice Credits

• For solar and wind projects less than 5 MW, ITC only.

• Secretary will allocate "environmental justice solar and wind capacity limitations" to eligible projects for ITC/CEITC plus ups; limited to 1.8 GW capacity in each of 2023 and 2024 (for ITC) and 1.8GW each year for CEITC.

• For projects that receive the EJ credits, in addition to the ITC credits, can receive an additional:
  • 10% for projects on Indian lands
  • 20% for projects that benefit tribal housing
  • Includes interconnection costs, microgrid controller, storage

• End result: Rooftop, community solar/wind, microgrids can receive up to 80% tax credit!
Tax Benefits – Production Tax Credit

• Annual payment received over 10-year period; credit amount is cents/kWh and based on production amount of "facility".

• Extended to 2025; replaced with "clean energy production tax credit" (technology neutral) from 2026-2034.

• Extended to solar projects.

• Base plus bonus increases.
  • Prevailing wage (.026/kWh) – not required for less than 1 MW.
  • Same bonus increases as ITC.

• For Direct Pay projects under the new CEPTC, construction starting in 2023 must meet domestic content requirement to receive full value of credit (not required if less than 1 MW), or will be reduced as follows:
  • 2024 – 90%
  • 2025 – 85 %
  • After 2025 – 0%
Tax Benefits – Clean Vehicles

• New vehicle tax credits
  • Domestic production (critical minerals, batteries) and assembly requirements
  • Up to $7,500 for new
  • Price limits - $55,000 - $80,000
  • Income limits - $150,000 - $300,000

• Used clean vehicles tax credits
  • 30% of cost or $4,000 max
  • Maximum price $25,000
  • Income limits $75,000 - $150,000

• Clean commercial vehicle tax credits
  • 15% of cost; 30% if no fossil fuel
  • Up to $7500 if < 14,000 lbs.
  • Up to $40,000 if > 14,000 lbs.
Tax Benefits – Other Clean Energy Technologies

- Alternative fuel refueling property, EV charging station ($100,000 max)
- Clean hydrogen
- Carbon oxide sequestration
- Advanced manufacturing
Direct Pay Examples

- Community Solar Project for Tribal Housing – Less than 5 MW
  - $12 million project cost (solar, plus storage, plus interconnection)
  - Up to 80% tax credit (PMW, DC, Energy Community, Indian land, Indian housing) = $9.6 million payment

- Microgrid Project for Tribal Government Campus – less than 5 MW
  - $35 million project cost (solar, storage, interconnection, microgrid)
  - Up to 60% tax credit (PMW, DC, Energy Community, Indian land) = $21 million payment

- Utility Scale Wind or Solar Project – 250 MW
  - $500 million project (solar/wind, storage)
  - Up to 50% tax credit (PMW, DC, Energy Community) = $250 million payment
Tax Benefits – Commercial Energy Efficiency

• Amended 179D to allow tribes to allocate deduction to "designer".
• Tax deduction (not a credit) of up to $5 per sq. ft.
  • Sliding scale based on efficiency gains
  • Prevailing wage requirement
• Minimum 25% efficiency improvement.
Tax Benefits – Residential Energy Efficiency

- Two Types of Tax Credits
  - Energy Efficiency
  - Clean Energy Generation (i.e., solar and wind)

- Energy Efficiency Tax Credits
  - Up to 30% of costs - $1200/year max ($2000 if doing heat pumps)
  - Per technology limits

- Clean Energy Generation (solar, wind, geothermal heat pumps, storage)
  - Increased back to 30% tax credit until 2032, then phase out.
  - Added storage.
Residential Electrification Rebates

- High Efficiency Electrification Rebate Program for Tribes ($225 million)
  - Tribes must apply to Secretary, provide a plan.
  - Single and multi-family homes eligible.
  - Up to $14,000 per project; amounts based on type of technology.
    - $8,000 for heat pump installation for space heating
    - $1,750 for a heat pump water heater
    - $840 for an electric stove, electric clothes dryer
    - $4,000 for an upgraded breaker box, $2,500 for upgraded electrical wiring
    - $1,600 for insulation, ventilation and sealing
  - Limited based on income.
    - 50% if income between 80 – 150% of AMI
    - 100% if income less than 80% of AMI
Environmental Programs

• Greenhouse Gas Reduction Fund - $27 billion
  • Amends the Clean Air Act to give EPA authority to make grants to states, tribes, non-profits and invest in non-profit, state and local financing institutions to deploy low-zero emission technologies; available until Sept. 30, 2024.
  • $7 billion in competitive grants (states, tribes) for financial and technical assistance.
  • $12 billion to lending institutions to leverage private investment.
  • $8 billion in competitive grants to non-profits.
Environmental Programs cont.

- Climate Pollution Reduction Grants - $9 billion
  - Achieve or facilitate GHG emission reduction.
  - Planning and implementation grants.

- Environmental and Climate Justice Block Grant - $3 billion
  - Community led – Partnerships with tribes and non-profits.
  - Climate resiliency, low-zero emission/resiliency technologies, education
List of Resources

• DOE/IRS Guidance for Eligible EV
  https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit

• Harvard Energy Law – EJ Matrix

• Residential Tax Credits/Rebates Matrix
  https://www.rewiringamerica.org/app/ira-calculator

• SEIA Summary of IRA
  https://www.seia.org/sites/default/files/2022-08/Inflation%20Reduction%20Act%20Summary%20PDF%20FINAL.pdf
Implementation Next Steps

• IRS has issued 6 notices to implement:
  • Direct Pay
  • Prevailing market wage and domestic content.
  • Clean energy technology credits
  • But, not a notice on the allocation of Environmental Justice credits for ITC bump ups (180 days from Jan. 1, 2023).

• DOE will implement:
  • Residential rebate program

• EPA will implement (180 days):
  • GHG Reduction Fund
Some Initial Questions for Implementation

- **IRS:**
  - Are tribal enterprises, agencies, instrumentalities and subdivisions included in definition of "tribal government"?
  - How will Secretary determine allocation of "Environmental Justice" credits for ITC/PTC plus ups?
  - Can tribes use tribal prevailing market wage?
  - Will tribes be able to leverage partnerships, grant funding or federal loans with tax credits?

- **DOE**
  - How will DOE determine allocation of rebate funding?
  - Can tribal housing authorities directly access rebate funding?
  - Can tribes use tribal area median income for qualification purposes?

- **EPA**
  - How do we ensure tribal lending institutions (i.e., CDFIs) can participate in the GHG Reduction Fund?
  - How to ensure tribal communities included in key definitions?
Recommendations

- Engage the Treasury Tribal Tax Advisory Committee for consultation on Direct Pay, Prevailing Market Wage, Environmental Justice Credits, and Grants leverage.
- Be prepared to comment on IRS rulings and procedures.
- Be prepared to comment on DOE RFIs, etc.
- Be prepared to comment on EPA funds.
Questions? Thank you

Pilar Thomas, Partner
pilar.thomas@quarles.com
(520) 770-8744