
As Prepared for Delivery

Treasury is approaching key implementation milestones for the clean energy provisions of the Inflation Reduction Act (IRA) that will grow our economy and combat climate change.

In the coming months, Treasury will issue guidance on the clean vehicle credit, the energy communities bonus, the domestic content bonus, direct pay and transferability, and the prevailing wage and apprenticeship standards required to receive full credits. The issuance of this guidance will mark the end of the first phase of our implementation of the IRA’s clean energy provisions. They represent the core elements needed to accelerate significant economic and climate benefits and to provide clarity and certainty to companies and other entities planning investments and projects.

Clarity and certainty are particularly important because while the major Investment and Production Tax Credits have driven clean energy development for years, the new bonus and credit monetization provisions can significantly enhance the available credit amounts and extend them to more recipients. This will drive billions in new investment by making more projects financially viable and crowding in billions of dollars in additional capital.

These provisions are cross-cutting and apply across multiple credits. They are key to achieving the IRA’s economic and climate benefits and span the law’s policy goals—accelerating the deployment of clean energy to lower energy costs for American families, strengthening the U.S. industrial base, securing our clean energy supply chains in collaboration with our allies and partners, and creating jobs and economic opportunity.

The guidance on the clean vehicle credit will be made public by the end of March. The adoption of clean vehicles is central to reducing emissions in transportation, while protecting Americans from the kinds of spikes in gas prices we saw at the outset of Putin’s brutal
invasion of Ukraine. However, we can’t trade dependence on foreign oil for dependence on foreign batteries, and our forthcoming guidance will strengthen our supply chains.

Treasury in December released a white paper detailing the anticipated direction of this proposed guidance, and the process for determining whether vehicles would qualify under the critical minerals and battery components requirements. This has provided manufacturers time to prepare by examining and adjusting their supply chains as these complex and technical concepts are distilled into clear and workable rules.

Treasury has worked to ensure a smooth transition and will work with the private sector going forward to help ensure consumers can easily determine which vehicles qualify and the amount of the potential credit.

Given the extremely high concentration of Chinese control over critical mineral processing globally, strengthening our supply chains for critical minerals along with like-minded partners is vital for the growth of the clean energy economy. That’s why the Biden Administration, in close consultation with Congress has been discussing forging critical minerals agreements with those partners, as President Biden and President von der Leyen recently stated.

While the guidance will apply to the clean vehicle credit, critical minerals are central to the growth of the clean energy economy more broadly. They are needed for everything from solar panels to wind turbines, and our goal is to drive broader shifts in our critical minerals supply chains. Treasury’s actions will advance economic security and stability by ensuring the United States and allies and partners are not reliant on China for critical minerals in the decades to come.

Up next will be guidance on the bonus provision for projects in historical energy communities, which have depended on and borne the brunt of our energy production over the last several decades. The energy communities bonus is an important piece of our overall efforts to ensure all Americans benefit from the growth of the clean energy economy by driving investment in communities that have often been overlooked or burdened by pollution.

Our guidance will further define qualifying energy communities, so companies or other developers of clean energy have more clarity in making investment decisions. That additional measure of certainty will help spur projects that will create good jobs in areas that need them.

Many energy communities have knowledge, infrastructure, resources, and know-how to help build a clean energy economy. But there is a need for additional public investment, and this
bonus—along with the Advanced Energy Project Credit, which includes a $4 billion set-aside for coal communities—helps jumpstart that process.

Following energy communities will be guidance on the bonus for projects where the steel, iron, or other manufactured products used are produced in the United States.

Our guidance will provide clarity around how the requirements for the domestic content bonus are met. Like the bonus for energy communities, the bonus can tip the scales in favor of American iron, steel, and manufacturing so we are investing in American workers and American companies as we grow the clean energy economy.

Up next is direct pay and transferability. The IRA created novel credit delivery mechanisms—direct pay and transferability—that enhance the ability of companies and other organizations to take advantage of the clean energy tax credits. They will expand the reach of the credits, allowing more projects to be built more quickly and in more places.

Direct pay and transferability are central to achieving our economic and climate goals. They will act as a force multiplier for companies and enable communities, startups, and nonprofits to access the credits. Projects will get built more quickly and affordably to reduce costs for families and businesses, and more communities will benefit.

The IRA allows nonprofit and governmental entities to receive direct payments for 12 clean energy tax credits, including the major investment and production tax credits.

Companies can choose direct pay for certain credits, and for 11 clean energy credits, businesses can transfer all or a portion of each credit to a third-party in exchange for funding needed to build projects.

An example of who benefits is our more than 900 rural electric co-ops. These vital institutions provide power to 32 million Americans but have not been able to access clean energy tax credits directly. It’s critically important that these new options be implemented right, which is why Treasury and the IRS are already working on an electronic pre-filing registration process for companies and organizations that want to take advantage of direct pay or transferability, ahead of guidance being issued this spring.

The pre-filing process will help prevent improper payments to fraudsters like criminal syndicates and provide the IRS with basic information to ensure companies, non-profits, states, and communities are able to access credits more readily.
Far ahead of launching the pre-filing registration process later this year, Treasury and IRS will be conducting user experience research to ensure the process works for those who are eligible to take advantage of these provisions.

The last piece of phase one will be additional guidance on the requirements for paying prevailing wages and employing apprentices to provide employers and workers with more clarity and direction on IRS guardrails and to ensure compliance is streamlined.

Treasury is committed to ensuring clean energy jobs are good-paying jobs and that American workers are ready to fill the jobs created by billions in new clean energy investments. Strong labor protections are already in place, and workers on these projects are seeing higher paychecks and more opportunities.

This marks the first time that workers on projects supported by clean energy tax incentives will benefit from protections on pay that have long benefitted workers on projects supported by federal contracts.

The IRA is the most significant piece of legislation passed to combat climate change and one of the most significant pieces of legislation to grow our economy in a generation.

The core guidance Treasury is issuing to complete phase one of our implementation are the most important elements in ensuring we meet both our climate and economic goals and ensure the benefits of the growth of the clean energy economy are felt in communities nationwide.