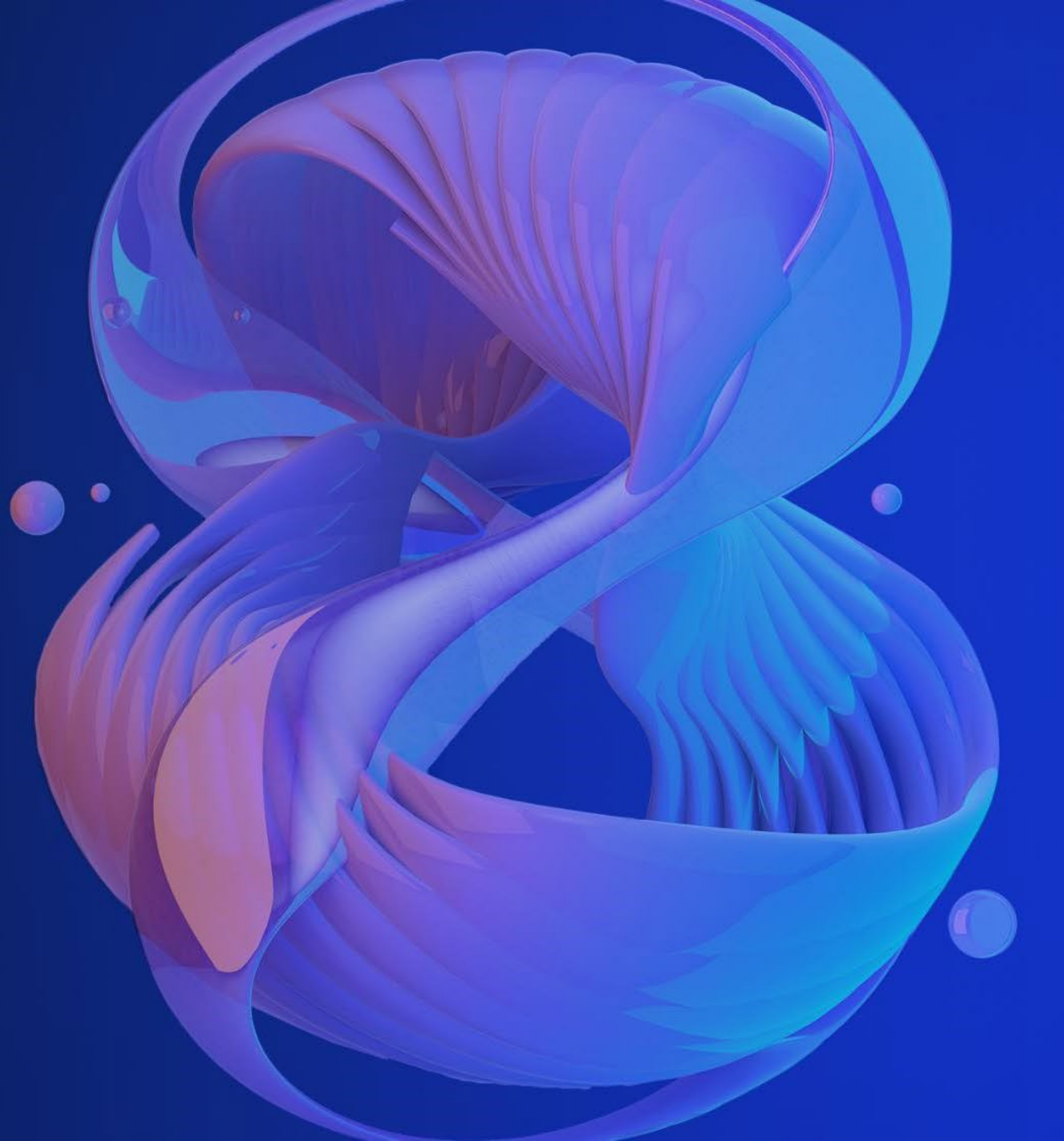
Understanding the Inflation Reduction Act (IRA)



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KPMG International

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Agenda

1. Introductions
2. Overview of the IRA credits and incentives as applicable to the energy industry
3. Global ESG/R&D tax credits and incentives
4. What's next in this space?
5. Q&A and wrap-up

Administration

Attendee questions

- You may submit questions in the *Ask a question* button on the left. We will answer as many questions as we can during Q&A. If we are unable to answer your question during the webcast, someone from KPMG may reply via phone or email following the webcast.
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Overview of the IRA credits and incentives as applicable to the energy industry

Inflation Reduction Act (IRA)/Climate act

IRA aims at reduction of inflation and funds clean energy investment via loans, grants, tax credits and rebates

$735+ billion
of revenue raisers via 15 percent corporate minimum tax ($222B), prescription drug pricing reform ($265B), IRS tax enforcement ($124B), 1 percent excise tax on stock buybacks ($74B), loss limitation extension ($52B)

$300 billion
expected federal deficit reduction over a decade

$435+ billion
investments across energy security and climate change ($369B), Affordable Care Act subsidies ($64B), and western drought resiliency ($4B)

~$379 billion
total funding of climate related programs allocated for various loans, grants, technical assistance programs across sectors

Funding criteria
to target climate resiliency, sustainability, healthcare, reduction of emissions and use of natural resources

Recipients
include companies, states, tribes, local governments, governmental agencies, NPOs, institutes of research/higher education

IRA loans and grants by categories

$53.2 billion
11 Sections
Agriculture

$0.8 billion
1 Section
Affordable housing (energy/water efficiency and climate resilience)

$3.4 billion
6 Sections
Commerce, science and transportation

$109.8 billion
20 Sections
Energy and natural resources

$50.1 billion
26 Sections
Environment and public works

$3.9 billion
5 Sections
Sustainability and zero-emission vehicles

$0.4 billion
4 Sections
Tribal climate resiliency

IRA: Extensions and modifications to existing credits

Renewable energy/ efficiency

Solar, wind, geothermal, fuel cell, energy storage, etc.:

- $45 Production tax credit (PTC)

Producer

- $48 Investment tax credit (ITC)
- $179D Energy efficient commercial buildings deduction*

Property owner/ Investor/(Developer)

Advanced manufacturing

- $48C Credit for manufacturing energy property (Electric vehicle (EV) components, fuel cells, electric grids, etc.)

Property owner/ Investor

Transportation

- $30D Clean vehicle credit
- $30C Credit for EV charging stations

Property owner/ Investor

Alternative fuels

- $40 Second-generation biofuel credit
- $40A and $6426 Biodiesel and renewable diesel; biodiesel mixture credit; alternative fuel credit

Producer/ User

Carbon capture

- $45Q Credit for carbon oxide sequestration *(increased rates)*

Property owner/ Investor

IRA: New credits

Renewable energy/efficiency

- $45U Zero-emission nuclear power production credit
- $45Y Technology neutral clean electricity PTC

Producer

- $48E Technology neutral clean electricity ITC

Property owner/ Investor

Advanced manufacturing

- $45X Advanced manufacturing production credit for solar & wind components, batteries, and critical minerals
- $45V Clean hydrogen production credit

Producer

Transportation

- $45W Qualified commercial clean vehicles

Property owner/ Investor

Alternative fuels

- $40B Sustainable aviation fuel
- $45Z Clean fuel production tax credit

Producer/ User

Energy tax provisions — New requirements

Prevailing wage and apprenticeships

- Significantly higher credit rates available for projects which satisfy certain wage and workforce requirements during the construction and operation of the projects
- Under transition rule, generally, projects that begin construction on or before 29 January 2023 are eligible for the bonus rate even if they do not satisfy the prevailing wage and apprenticeship requirements
- Curing process

Domestic content

- Additional credits available in some cases if projects are constructed using domestically sourced steel and iron, as well as manufactured products
- Effective for projects placed in service after 2022

Other targeted credit enhancements

- Additional credit amounts available in some cases for projects located in low-income communities, brownfield sites, and communities formerly reliant on coal and fossil fuel industries
- Effective for projects placed in service after 2022

Energy tax provisions — Monetization

"Direct pay" options for

- Section 45Q Carbon Oxide Sequestration Tax Credit
- Section 45V Clean Hydrogen Production Credit
- Section 45X Advanced Manufacturing Production Credit
- Tax-exempt entities, states, and political subdivisions thereof

The legislation also allows taxpayers to monetize tax credits by transferring credits to third parties

- Transfer shall be required to be paid in cash
- Transfer shall not be includible in gross income of the transferor
- Amount paid by the transferee shall not be deductible
- Eligible credits can only be transferred once

Energy tax provisions — Monetization (continued)

Transferability and refundability — Emerging themes

- Ability of partnerships to elect direct pay on behalf of tax-exempt partners
- Ability to claim partial direct pay
- Timing/ability to expedite refunds under section 6417
- Interplay of refundability and requirement to make estimated tax payments
- Recapture and indemnification
- Ability of individuals to buy tax credits
- Reasonable cause exception to 20 percent penalty for excessive payments/credit transfers
- Registration system for transferable tax credits
- Role of direct pay and transferability in tax equity transactions
- Interaction with Pillar 2
- Awaiting IRS guidance

Selected IRA tax credit provisions

§48 Investment tax credit (ITC)

One-time investment tax credit (ITC) equal to a percentage of the basis of qualifying energy property placed in service during the taxable year.

Eligible basis ✖ **ITC %** = **ITC**

Eligible property

- Solar, fuel cell, small wind, geothermal, microturbine, combined heat and power, waste energy recovery, & offshore wind
- **New**: Energy storage, qualified biogas property, & microgrid controllers

Claimed in the year the qualifying energy property is placed in service

- 5-year recapture period (20 percent step-down each year)
- Basis reduction equal to 50 percent of ITC
- Basis reduced for tax-exempt bonds

Qualifying energy property

- Tangible personal property or other tangible property used as an integral part of the qualified facility
- Must be original use property (not "used" or previously placed in service property)

§48 Investment tax credit (ITC)

ITC was beginning to phase down. The new ITC credit rates would generally apply to projects that are placed in service after 2021.

- Exception: newly-eligible technologies effective for projects placed in service after 2022

Beginning of construction deadline: Must begin construction prior to 2025

- Shifting to technology-neutral regime in 2025 — See sections 48E and 45Y

Technologies qualifying for 10% bonus/ 2% base rate:

- Microturbine

Technologies qualifying for 30% bonus/6% base rate:

- Solar
- Small wind
- Waste energy recovery property
- Offshore wind
- Fuel cell
- Geothermal (increased rate)
- Combined heat and power (increased rate)
- Energy storage (**new**)
- Qualified biogas property (**new**)
- Microgrid controllers (**new**)

Credit is transferable for projects placed in service after 2022

$45 Production tax credit (PTC)

- **Prior to IRA:** No PTC was available for projects that begin construction after 2021, and there was a PTC rate phaseout for onshore wind projects that began construction prior to 2022.
- **Eligible Property:** Qualified facilities include wind, solar, biomass, geothermal, landfill gas, hydropower
- **Rates**
  - Wind, Geothermal, Hydropower, Closed loop biomass**:** Bonus rate of 1.5 cents/kWh; Base rate of 0.3 cents/kWh (pre-inflation adjustment)
  - Rates are inflation adjusted. After inflation adjustment, bonus rate for wind, geothermal, hydropower, and closed loop biomass is $2.75/kWh
  - Open-loop biomass, landfill gas: Subject to a 50 percent credit reduction
- **Effective date:** Applies to projects placed in service in 2021
- **Begin Construction Deadline:** Must begin construction prior to 2025
  - Shifting to technology-neutral regime in 2025 — See $48E and 45Y
- **Credit Period:** 10-year credit period beginning in year facility is placed in service
- **Other Requirements:**
  - Electricity must be produced by the taxpayer and sold to an unrelated party
  - Credit reduced for tax-exempt bonds
  - Credit transferable for projects after 2022

$45Q Credit for carbon oxide sequestration

Credit rates

- Permanent storage — Storage-based credit rate = $17; bonus credit rate = $85
- EOR (enhanced oil recovery)/Utilization-base credit rate = $12; bonus credit rate = $60
- Direct Air Capture (SGS) — base credit rate = $36; bonus credit rate = $180
- Direct Air Capture (EOR/Utilization) — base credit rate = $26; bonus credit rate = $130
- Rates indexed for inflation after 2026

Refundability

- Elective — election made separately with respect to CCE (carbon capture equipment) placed in service during the tax year; election in place for 5 years
- No domestic content requirement/phasedown

Minimum capture thresholds (effective for projects with beginning of construction (BOC) after 16 August 2022)

- Permanent storage — Storage-based credit rate = $17; bonus credit rate = $85 Direct air capture: no less than 1,000 metric tons of carbon oxide per year
- Electricity generating facilities: no less than 18,750 metric tons of carbon oxide and 75 percent of total carbon emission
- Other industrial facilities: no less than 12,500 metric tons of carbon oxide

Dates

- Extends beginning of construction deadline to 31 December 2032
- All other changes effective after 31 December 2022

Other considerations

- Credit reduced for tax-exempt bonds
- Sunsets the “old” section 45Q for CCE placed in service prior to 8 February 2018

§45V Clean hydrogen production credit

Credit rates

- Determined by multiplying the applicable amount and the kilograms of qualified clean hydrogen produced
- The applicable amount = the applicable percentage * $0.60 (or $3.00 when certain wage and workforce requirements are met)
- Applicable percentage:
  - 20% for a process that results in a GHG (greenhouse gas) rate of 2.5–4 kg of carbon dioxide equivalent (CO_2-e) per kilogram (kg) of hydrogen;
  - 25% for a process that results in a GHG rate of 1.5–2.5 kg of CO_2-e per kg of hydrogen;
  - 33.4% for a process that results in a GHG rate of 0.45–1.5 kg of CO_2-e per kg of hydrogen; and
  - 100% for a process that results in a GHG rate of < 0.45 kg of CO_2-e per kg of hydrogen.
- Applicable amount would be inflation adjusted
- 10-year credit period

Refundability for first 5 years

Dates

- Effective for hydrogen produced after 2022; Beginning of construction deadline 31 December 2032

$45V Clean hydrogen production credit (continued)

Other requirements

- Hydrogen must be
  - Produced in the U.S.
  - In the ordinary course of a trade or business of the taxpayer
  - For sale or use (as verified by an unrelated party)
- Qualified facility — must be owned by the taxpayer; production allocated if more than one owner

Interaction with other sections

- Cannot claim both $45Q and the clean hydrogen production tax credit with respect to the same facility
- Can claim the $45 PTC for electricity produced from renewable resources and the clean hydrogen production tax credit if the electricity is used at the facility to produce clean hydrogen
- In lieu of the clean hydrogen production tax credit, can elect to treat the facility (or a portion of the facility) as energy property under $48. (The energy percentage would range from 1.2 to 6 percent base rate and 6 to 30 percent bonus rate depending on the type of clean hydrogen that is produced.)

Open issues

- Definition of facility — credit stacking
- GREET model functionality

Alternative fuel tax provisions

$45Z Clean fuel production tax credit

- New per-gallon tax credit for the production of low-emissions transportation fuel produced and sold from a qualifying facility
- ***Credit Amount:*** The product of: (i) the applicable amount per gallon with respect to any transportation fuel produced at a qualified facility and sold by the taxpayer to an unrelated person for use in the production of a fuel mixture, for use in a trade or business, or for sale at retail and (ii) The emissions factor of such fuel.
  - Base credit rate (applicable amount): $0.20/gallon (or $0.35/gallon for aviation fuel)
  - Increased credit rate (applicable amount): $1.00/gallon ($1.75 for aviation fuel), if prevailing wage and apprenticeship requirements are met
- ***Emissions Factor:*** The Treasury Department is required to annually publish emissions rates for fuels that are produced using similar feedstocks and production pathways that taxpayers would use for purposes of determining their credit rates. This emissions rate would then be used to compute the emissions factor, with a credit provided for fuels with emissions below 50 kg CO_2-e per mmBtu. The lower the emissions rate, the higher the credit would be.
- ***Project Types:*** Fuels would be required to be transportation grade — suitable for use in a highway vehicle or aircraft — but could be used for any business purpose, including as transportation fuel, industrial fuel, or for residential or commercial heat.
- Cannot claim both the 45Z credit and the 45Q, 45V, or the 48 ITC for clean hydrogen in a given tax year.
- ***Key dates:*** Applies to the production of qualified fuel after 2024. Credit sunsets for fuel sold after 2027.

$48C Credit for manufacturing advanced energy property

The bill authorizes $10 billion in credits

- At least $4 billion of these credits must be allocated to investments in coal census tracts
- 30 percent ITC available for constructing, re-equipping, or expanding a qualifying advanced energy property (QAEP) manufacturing facility (wind, solar, carbon capture, electric grids, electric vehicles (EVs) and components)
- Base rate = 6%

Qualified manufacturing facilities include facilities that manufacture the following items:

- Property designed to produce energy renewable resources, as well as fuel cells, microturbines, and energy storage
- Grid modernization equipment
- Property designed to capture and sequester dioxide emissions
- Property designed to refine or blend renewable fuels or to produce conservation technologies (including lighting and smart grid technologies)
- Electric vehicles (as well as hybrid and fuel cell vehicles) or components including relating to recharging infrastructure
- Other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Secretary
- Also eligible — taxpayers that re-equip an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20%
- Also eligible — taxpayers who re-equip, expand, or establish an industrial facility for the processing refining or recycling of critical materials

Credits allocated in competitive application process: $4 billion to be allocated in Round 1, starts 30 June 2023

$45X Advanced manufacturing production credit

Provides a credit for certain eligible components (wind, solar, battery, critical minerals) produced by the taxpayer and sold to an unrelated person

Available for components produced and sold after 2022

The prevailing wage and apprenticeship requirements do not apply to this credit

Interaction with 48C: The credit is not allowed for components produced at a facility receiving a $48C credit

Direct Pay/Refundability

- Taxpayers may elect to make the credit refundable through a direct pay mechanism
- Such election would apply to the taxable year and four subsequent taxable years

Transferability

- A taxpayer may elect to transfer the credit (or any portion of the credit) to an unrelated taxpayer.
- For any taxable years for which a direct pay election is made, taxpayers may not also elect to transfer the credit.

Phase out

- For components sold after 2029, the credit is reduced by 25% each year, and would be unavailable for components sold in 2033 and beyond
- Exception: critical minerals

$45Q Credit for carbon oxide sequestration

Credit rates

- Permanent storage — Storage-based credit rate = $17; bonus credit rate = $85
- EOR (enhanced oil recovery)/Utilization — base credit rate = $12; bonus credit rate = $60
- Direct Air Capture (SGS) — base credit rate = $36; bonus credit rate = $180
- Direct Air Capture (EOR/Utilization) — base credit rate = $26; bonus credit rate = $130
- Rates indexed for inflation after 2026

Refundability

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- No domestic content requirement/phasedown

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- Electricity generating facilities: no less than 18,750 metric tons of carbon oxide and 75 percent of total carbon emission
- Other industrial facilities: no less than 12,500 metric tons of carbon oxide

Dates

- Extends beginning of construction deadline to 31 December 2032
- All other changes effective after 31 December 2022

Other considerations

- Credit reduced for tax-exempt bonds
- Sunsets the “old” section 45Q for CCE placed in service prior to 8 February 2018

§30D Clean vehicle credit

Section 30D for purchases of new cars by individuals

Up to $7,500 per vehicle	New requirements added	Transferable to dealer	Per manufacturer cap lifted (effective in 2023)

New requirements

- North American Assembly of Vehicle — effective 16 August 2022
- North American Manufacture/Assembly of Battery Components — effective March 2023
- Critical Minerals — effective March 2023
  - Requires that critical mineral components of the electric vehicle battery be extracted or processed in a country with which the US has a free trade agreement in effect or recycled in North America.
- MSRP Cap ($80,000 for SUVs and pickups; $55,000 for other vehicles) — effective 1 January 2023
- AGI Limits ($300,000 for married filing jointly; $225,000 for heads of household; $150,000 for others) — effective 1 January 2023

$45W Qualified commercial clean vehicles

Commercial clean vehicle credit

Credit for vehicles purchased use or lease in a trade or business, credit amount is the lesser of:

- 15% of the basis of such vehicle (30% in the case of a vehicle not powered by a gasoline or diesel internal combustion engine) or
- The incremental cost of such vehicle, which is an amount equal to the excess of the purchase price for such vehicle over such price of a comparable vehicle (i.e., any vehicle that is powered solely by a gasoline or diesel internal combustion engine and which is comparable in size and use to such vehicle). Legislation requires the Secretary to issue guidance on how to determine the incremental cost of any eligible vehicle.

The maximum credit for a qualifying vehicle with a gross vehicle weight rating of less than 14,000 pounds would be $7,500. The amount would increase to $40,000 for all other eligible vehicles.

No 30D limitations (MSRP, AGI, Assembly, Battery Components, or Critical Minerals)

$30C Credit for EV charging stations

Charging station credit

Credit Qualifications

- **Pre-IRA Qualification:** Under prior law, taxpayers were eligible to claim an income tax credit for up to 30% of the cost of electric vehicle recharging stations (capped at $30,000 per location per year for business taxpayers). The credit was not available for recharging stations placed in service after 2021.
- **IRA changes:** Extended prior law credit for property placed in service in 2022. Then, starting in 2023, the credit is available with potentially higher credits amount, but new location restrictions.
- **Credit Amount:**
  - Base credit rate: 6%
  - 30% (6% if prevailing wage and apprenticeship requirement not satisfied) tax credit on alternative fuel refueling property up to $100,000 and a 20% tax credit on amounts over $100,000.
- **Location Requirements:** Property must be located in an eligible census tract to be eligible for the credit. This is generally, low-income communities for purposes of the New Market Tax Credit, or a location that is not in an urban area.

Available for property placed in service prior to 2023

Alternative fuel tax provisions

Extension of existing tax incentives for biodiesel, renewable diesel, alternative fuels, and second generation biofuel

$40B Sustainable aviation fuel credit

- For 2023 — 2024, there is a new tax credit for each gallon of sustainable aviation fuel in a qualified mixture that is sold or used as a fuel in aviation.
- **Credit Amount:** $1.25 per gallon if GHG emissions reduction percentage of at least 50% compared to petroleum-based jet fuel, plus a supplementary credit of up to $0.50 per gallon for each percentage point by which the emissions reduction percentage exceeds 50%

Alternative fuel tax provisions (continued)

$45Z Clean fuel production tax credit

- New per-gallon tax credit for the production of low-emissions transportation fuel produced and sold from a qualifying facility
- ***Credit Amount:*** The product of: (i) the applicable amount per gallon with respect to any transportation fuel produced at a qualified facility and sold by the taxpayer to an unrelated person for use in the production of a fuel mixture, for use in a trade or business, or for sale at retail and (ii) The emissions factor of such fuel.
  - Base credit rate (applicable amount): $0.20/gallon (or $0.35/gallon for aviation fuel)
  - Increased credit rate (applicable amount): $1.00/gallon ($1.75 for aviation fuel), if prevailing wage and apprenticeship requirements are met
- ***Emissions Factor:*** The Treasury Department is required to annually publish emissions rates for fuels that are produced using similar feedstocks and production pathways that taxpayers would use for purposes of determining their credit rates. This emissions rate would then be used to compute the emissions factor, with a credit provided for fuels with emissions below 50 kg CO_2-e per mmBtu. The lower the emissions rate, the higher the credit would be.
- ***Project Types:*** Fuels would be required to be transportation grade — suitable for use in a highway vehicle or aircraft — but could be used for any business purpose, including as transportation fuel, industrial fuel, or for residential or commercial heat.
- Cannot claim both the 45Z credit and the 45Q, 45V, or the 48 ITC for clean hydrogen in a given tax year.
- ***Key dates:*** Applies to the production of qualified fuel after 2024. Credit sunsets for fuel sold after 2027.

Overview of European Union funding

Introduction to EU Green Deal Action Plan and new funding perspective

Increasing the EU's Climate ambition for 2030 and 2050

Cut emissions by AT LEAST 55% by 2030 (compared to 1990 levels) and become the first climate neutral continent by 2050

A zero pollution ambition for a toxic-free environment

Preserve biodiversity, reduce pollution from excess nutrients, reduce micro plastic pollution, review air quality standards, reduce pollution and improve prevention of industrial installations with sustainable alternatives for chemicals

Preserving and restoring ecosystems and biodiversity

Accelerating the shift to sustainable and smart mobility (90% reduction of GHG by 2050 in comparison with 1990)

Go Digital — *automated mobility, smart traffic management systems, smart applications*

Use different modes of transports — *rail or water*

End subsidies for fossil fuels, EU ETS for maritime and more aviation, sector, road pricing

Supplying clean, affordable and secure energy

Increase interconnections between energy systems with modern infrastructure, high energy efficiency, starting to decarbonise gas sector, increase cross border cooperation and develop full potential of offshore wind energy

Mobilizing industry for a clean and circular economy

Support for modernization of industries with climate neutral and circular products with special focus on energy intensive industries (steel and cement). The EC will propose a sustainable products policy with a circular economy Action Plan to modernize the EU economy.

From Farm to Fork: a fair, healthy and environmentally friendly food system

Leave no one behind — ***Just Transition Mechanism***

Providing dedicated funds for regions with high carbon intensity, which will be disproportionately affected by the transition — Just Transition Fund

Building and renovating in an energy and resource efficient way

Increase energy performance of buildings (circular economy design, digitalisation, climate proof), develop innovative financing for renovations including social housing, schools and hospitals (leave no one behind strategy)

Net zero industrial act — NIZA

Objectives:

- **Improving investment** certainty, policy focus and coordination through the setting of clear objectives and monitoring mechanisms;
- **Lowering administrative burden** by streamlining administrative requirements and facilitating permitting, setting up regulatory sandboxes;
- **Facilitating access to markets** by specific measures related to public demand through public procurement procedures and auctions, as well as through schemes to supports private demand by consumers;
- **Facilitating and enabling carbon capture and storage projects**, including by enhancing the availability of CO_2 storage sites;
- **Supporting** innovation, including through regulatory sandboxes;
- **Enhancing skills for net-zero technologies.**

Numerical objectives for each products
The Commission's ambition is to develop sufficient domestic manufacturing capacity for the EU market:

- 40% for photovoltaic panels,
- 85% for wind turbines,
- 60% for heat pumps,
- 85% for batteries,
- 50% for electrolyzers

Increase the target in the Renewable Energy Directive to 45% by 2030 and the target in the Energy Efficiency Directive to 13%.

Total renewable energy generation capacities to 1236 GW by 2030, in comparison to 1067 GW by 2030 envisaged under the 2021 proposal.

Solar photovoltaic
And solar thermal

Electrolysers
and fuel cells

Onshore wind and
offshore renewables

Sustainable
biogas/biomethane

Batteries
and storage

Carbon capture
and storage

Heat pumps and
geothermal energy

Grid
technologies

EU Funding programs applying to energy sector

Renewal energy | Batteries | Technology | Research & Innovation | Infrastructure | Power & utilities

Solar | Hydrogen | Biomethane | Wind | Low carbon gases

Recovery plan for Europe
A stimulus package worth €2.018 trillion

Multiannual Financial Framework (MFF) 2021–2027
A long-term budget of €1.2 trillion

- **Horizon Europe** – Research and innovation fund — €90.1 billion
- **InvestEU** – Sustainable investment, innovation and job creation — €4.2 billion
- **Connecting Europe Facility (CEF)** – Infrastructure investment (energy, transport & digital) — €20.7 billion
- **Euratom research and training program (complements Horizon Europe)** – Nuclear research and training activities — €2 billion
- **European Regional Development Fund** – Environment and net zero investments — €226 billion
- **Cohesion Fund** – Environmental and transport investments — €48 billion (including €11.3 billion transferred to CEF)
- **Program for environment and climate action (LIFE)** – Environment and climate investments — €5.4 billion
- **Just Transition Fund** – Support regions in the transition towards climate neutrality — €8.4 billion

NextGenerationEU
A top-up plan with a vision of investing €806.9 billion

- **Recovery and Resilience Facility (RRF)** – An instrument for providing grants and loans with a value of €723.8 billion
  - **Loans** – €385.8 billion
  - **Grants** – €338 billion
- **Horizon Europe** – Research and innovation fund — €5.4 billion
- **InvestEU** – Sustainable investment, innovation and job creation — €6.1 billion
- **Just Transition Fund** – Support regions in the transition towards climate neutrality — €10.9 billion

European Green Deal
30% of the finance will come from EU's multiannual budget (2021–2027) and the EU's unique NextGenerationEU (NGEU) instrument

European Green Deal Investment Plan (EGDIP) or Sustainable Europe Investment Plan (SEIP)
Investment pillar of the Green Deal to invest at least €1 trillion of private and public sustainable investments from 2021–2030

What's next in this space?

What's next?

Consider other tax and non-tax credits, grants, loans, and incentives programs for holistic planning purposes

The current IRA legislative statutes and additional guidance provided to date from Treasury still leave **many unanswered nuances — taxpayers are awaiting additional guidance.**

Time to reevaluate — post-IRA impacts:

- **New methods for monetization**: traditional tax equity structure vs. transfer and/or direct pay
- **Extension/revision of prior existing programs**
- **New requirements:** Prevailing wage & apprenticeships requirement, domestic content requirement, reference to other existing programs
- **Interaction with BEPS Pillar Two**

Interactions between tax incentives and BEPS Pillar Two

BEPS Pillar Two — Sets out global minimum tax rules designed to help ensure that large multinational businesses pay a minimum effective rate of tax of 15% on profits in all countries.

There is a question of the application of the definition of a Qualified Refundable Tax Credit (QRTC) to various credits under the US IRA where such credits are monetizable by selling the credit within four years of satisfying the relevant conditions under the IRA.

Currently, the OECD takes the view that the credit must be paid in cash or cash equivalents from the jurisdiction providing the credit. On this basis, the QRTC would not apply to third-party monetizable credits.

An alternative interpretation is that only the conditions for the credit relate to the laws of the relevant jurisdiction. This issue has been under discussion with the OECD Secretariat without resolution to date.

- QRTCs vs Non-QRTCs, the latter of which have greater potential for top-up tax -> issue as to whether 'monetizeable' could be construed as refundable?

Q&A and wrap-up

Questions

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