

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

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MTERA

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# Presenter

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# Agenda

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

# Key Tribal Clean Energy Development Opportunities

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

# Overview of Inflation Reduction Act

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

# Tribal Specific Programs

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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

# Direct Pay Examples

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- 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

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- 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

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- 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

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- 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

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- 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.

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- 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

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- DOE/IRS Guidance for Eligible EV

<https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit>

- Harvard Energy Law – EJ Matrix

<http://eelp.law.harvard.edu/wp-content/uploads/EELP-IRA-EJ-Provisions-Table.pdf>

- 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

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- 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

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- 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

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- 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

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