

# **The 45Y and 48E Tech-Neutral Tax Credits: Unleashing American Energy Dominance and Driving Economic Growth**

Proposals to repeal 45Y and 48E would raise taxes on businesses investing in domestic manufacturing and energy dominance, increasing household energy costs, weakening local economies, and stifling job growth.

## **Lowering Energy Investment Costs and Countering Inflation**

Expanding U.S. electricity production lowers costs for households and businesses. Utility bills have risen by about 20% since 2019 due in part to growing demand.<sup>i</sup> Without 45Y and 48E average electricity bills are projected to rise nearly 10% within four years. Price impacts will vary across regions, and some states could see residential electricity prices increase by more than 20%.<sup>ii</sup> Furthermore, at a time of growing demand, the repeal of 45Y and 48E could result in least \$336 billion less investment and 237 fewer gigawatts in clean energy generation capacity across the country's seven competitive wholesale electricity markets, which represent around two-thirds of total U.S. power consumption.<sup>iii</sup>

## **Fueling American Manufacturing and Economic Growth**

The resurgence of U.S. manufacturing and the accelerating AI race are causing electricity demand to rise rapidly for the first time in decades. Since 2020, U.S. manufacturing construction spending has tripled, adding 750,000 jobs.<sup>iv</sup> U.S. industrial competitiveness is predicated on affordable and reliable energy. The repeal of energy tax credits and the rollback of other pollution regulations could increase energy prices for U.S. industrial producers by up to 6% or \$14 billion per year in 2030 and 2035.<sup>v</sup>

## **Promoting An All of the Above Approach to Energy**

Meeting our growing electricity needs while maintaining energy affordability and reliability across all electricity markets can only be achieved through innovation of advanced energy technologies that better allow regions to choose the best energy options given their resource mix. Flexible credits like 45Y and 48E encourage innovation and investment across a broad spectrum of solutions. They do not pick winners or losers but provide a market-driven incentive that allows the most cost-competitive technologies – including nuclear, geothermal, biogas, and storage – to scale efficiently and meet rising power demands.

## **Boosting Innovation and Global Competitiveness**

Energy demand is rising globally, and many countries are seeking to meet their energy needs with low-cost, flexible sources. China has invested in solar and batteries for decades, aiming to win in future energy markets. U.S. innovators are leading on advanced geothermal, next-gen nuclear, and carbon capture, but need sustained public support to bring the next generation of pollution-free power technologies to market. 45Y and 48E strengthen the U.S. competitive edge in advanced power technologies and manufacturing.

## **Countering Foreign Influence**

Incentivizing domestic energy technologies ensures that energy production remains within U.S. borders, securing energy independence and strengthening national security. Moreover, pairing tax incentives with tariffs on foreign-made energy components both protects American manufacturers from unfair trade practices and encourages companies to build supply chains at home. Keeping taxes low for domestic businesses helps keep energy innovation, production, and jobs right here in the U.S.

### Encouraging Private Sector Investment

Companies have invested over \$500 billion since 45Y and 48E were enacted. Cutting them abruptly could strand projects and waste private investments already in motion. Republican-leaning districts have received three times more clean energy investment than Democratic-leaning ones, highlighting that the economic benefits cut across political lines.

### Driving Innovation Through Tax Certainty

A significant barrier to energy innovation is policy uncertainty. Energy startups and developers of new technologies often face significant capital constraints and long research and development timelines. The previous start-stop cycle of ITC and PTC renewal hindered investment and slowed down deployment. The durability and flexibility afforded by Congress in recent modifications to the credits provide investors with the confidence to commit resources to multi-year, multi-billion-dollar projects. Private investors and developers require a consistent, predictable, and favorable policy landscape to choose to invest and build in America.

### Cleaning the Air Americans Breathe

By 2035, 45Y and 48E could cut 300 to 400 million tons of greenhouse gases and reduce emissions of nitrogen oxides and sulfur dioxide by at least 20%, improving local air quality and reducing respiratory illnesses and premature deaths.<sup>vi</sup>

Clean Electricity Production Tax Credit (45Y)	Clean Electricity Investment Tax Credit (48E)
Replaces existing energy PTC starting in 2025 with a technology neutral PTC that phases out in 2032 or when the power sector emits 75% less carbon than 2022 levels. <ul style="list-style-type: none"><li>1.5 cents per kWh of electricity produced and sold or stored placed in service after 2024.</li><li>10% bonus for building in an energy community, low-income communities, and tribal lands, and for meeting domestic content requirements.</li><li>Any zero-emission generation or storage technology is eligible, as defined by Treasury's emissions rates.</li></ul>	Replaces existing energy ITC starting in 2025 with a technology neutral ITC that phases out in 2032 or when the power sector emits 75% less carbon than 2022 levels. <ul style="list-style-type: none"><li>30% ITC in the year facility is placed in service.</li><li>10% bonus for building in an energy community, low-income communities, and tribal lands, and for meeting domestic content requirements.</li><li>Any zero-emission generation or storage technology is eligible, as defined by Treasury's emissions rates.</li></ul>

<sup>i</sup> "Powering the Revolution," Bank of America Institute, <https://institute.bankofamerica.com/economic-insights/powering-the-revolution.html>.

<sup>ii</sup> "Electricity Price Impacts of Technology-Neutral Tax Incentives With Incremental Electricity Demand from Data Centers," NERA Economic Consulting, <https://cebuyers.org/blog/ceba-report-repealing-clean-energy-tax-credits-would-raise-electricity-prices-for-american-families-and-job-creators-across-the-united-states/>.

<sup>iii</sup> "Impact of Reform to Clean Energy Tax Credits on Investment, Jobs, and Consumer Bills," Aurora Energy Research, <https://auroraer.com/insight/impact-of-reform-to-clean-energy-tax-credits-on-investment-jobs-and-consumer-bills/>.

<sup>iv</sup> "The Rebirth of American Manufacturing: Growth and Innovation," BlackRock, <https://www.blackrock.com/us/financial-professionals/insights/exploring-us-manufacturing>.

<sup>v</sup> "The Stakes for Energy Costs in Budget Reconciliation," Rhodium Group, <https://rhg.com/research/the-stakes-for-energy-costs-in-budget-reconciliation/>.

<sup>vi</sup> "Tech-Neutral Tax Credits," Rhodium Group, <https://rhg.com/research/tech-neutral-tax-credits-electric-power/>.