

# Fact Sheet

August 2022



## Inflation Reduction Act of 2022

### Key Facts:

The President has signed into law a new version of the budget reconciliation bill Congress had been negotiating over the last several years. This final version contains several policy provisions of interest to electric cooperatives, including two of NRECA's top legislative priorities.

- **Direct Pay Incentives** –Gives electric cooperatives tax parity with industry counterparts when they deploy new energy technologies, including carbon capture, nuclear, energy storage, and traditional renewables.
- **USDA Financial Assistance for Clean Energy** –Includes a \$9.7 billion grant and loan program specifically for electric cooperatives that purchase or build new clean energy systems.
- The bill includes no mandatory emission reductions or required closure of existing power plants.

### Direct Pay Incentives

For the first time, this bill would create a “direct payment” option for electric cooperatives, which have not been able to take advantage of existing tax credits available for deployment of clean energy technologies. In addition to adding the direct payment option, this bill makes significant reforms and additions to those credits.

The bill contains investment tax credits and production tax credits for solar, wind, carbon capture, nuclear, manufacturing of clean energy components, and other clean energy technologies. These credits are built around a “base credit” system. To realize the full credit amount under this system, an eligible entity must then also meet prevailing wage, apprenticeship, and domestic content requirements to receive an additional “bonus credit.” The bill provides additional bonuses for investment in low-income and other marginalized communities.

### USDA Clean Energy Financing Program

The bill creates a \$9.7 billion financial assistance program at USDA specifically for electric cooperatives to purchase or build new clean energy systems. Funds could be disbursed as grants, loans, loan guarantees or loan modifications. Funding would be available until 2031.

Eligible uses include renewable energy, storage, carbon capture, nuclear, generation and transmission system efficiency improvements, and other projects that will achieve the greatest reduction in greenhouse gases. Under the program, co-ops would be able to receive a grant for as much as 25 percent of a project cost, with a maximum for any one entity of \$970 million in financial assistance. Projects would need to comply with prevailing wage labor requirements.

### Other Provisions

The bill proposes dozens of other programs at USDA, the Department of Energy (DOE), and the Environmental Protection Agency to finance and promote deployment of clean energy. A few examples:

- Nearly \$9 billion at DOE for home energy retrofits and home electrification projects.
- Approximately \$9 billion for loan guarantees to promote clean energy infrastructure, with additional benefits for projects on tribal lands and in disadvantaged communities.
- \$2 billion to finance new transmission projects.