Energy Sector Innovation Credit Act of 2021 (S.2475 / H.R. 4720)

Energy Sector Innovation Credit Act would update the energy portion of the tax code by allowing cutting-edge technologies to gain commercial viability and upend the status quo without distorting the free market.

Summary

The Energy Sector Innovation Credit Act, or ESIC, will improve the competitiveness of breakthrough power generation, industrial, and storage technologies across the clean energy spectrum. ESIC creates up to a 40 percent investment tax credit (ITC) or up to a 60 percent production tax credit (PTC) for low market penetration technologies across a range of energy sources. For each technology, the incentive automatically ramps down as an individual technology's market penetration increases.

History:

Tax credits can provide a powerful investive for new technologies. However, tax approaches to date have suffered from a few serious drawbacks which can stymie American ingenuity. The complexity of different types of credits, for different technologies, at different levels, on different timelines does not create a clear consistent market signal for investors or innovators, and leads to constant legislative battles over extending credits for favored technologies. ESIC updates the energy portion of the tax code by creating a technology inclusive approach to support all clean energy technologies. By creating an option of an ITC or PTC, developers can determine what is the most useful tax credit for their project.

The Energy Sector Innovation Act has been introduced in three consecutive Congresses by Representative Tom Reed as H.R.7196 in the 115th Congress, H.R. 553 in the 116th, and now in the 117th.

Specifics:

The Energy Sector Innovation Credit Act creates a new tax credit to developers of next generation clean energy technologies to overcome the initial financing hurdles associated with developing "first-of-a-kind" and nascent power generation technologies.

- Creates the option of an investment tax credit (ITC) or a production tax credit (PTC), providing financing options on a project by project basis.
- Becomes a permanent feature of the tax code, to provide investor certainty.
- Production tax credit is percentage based, so the incentive only pays out a percentage of the cost of electricity for what the market demands at that time. No technology that is above three percent of total market penetration may receive the credit.
- Sunsets as new technologies increase their market penetration across the share of national power generation, which weans technologies off of government support as it is able to compete in the marketplace on its own.
- The credit is available to all nascent electricity generation technologies, as well as hydrogen production, direct air capture, and carbon capture technologies.

Original Sponsors:

S.2475
Sen. Mike Crapo (R-ID)

H.R.4720
Rep. Tom Reed (R-NY-23)

COSPONSORS:
S.2475
Sen. Sheldon Whitehouse (D-RI)*
Sen. John Barrasso (R-WY)*
Sen. Michael Bennet (D-CO)*
Sen. James Risch (R-ID)*
Sen. John Hickenlooper (D-CO)*
Sen. Bill Cassidy (R-LA)

H.R.4720
Rep. Jimmy Panetta (D-CA)*
Rep. Darin LaHood (R-IL)*
Rep. Thomas Suozzi (D-NY)*
Rep. David Schweikert (R-AZ)*
Rep. Josh Gottheimer (D-NJ)*
Rep. Michael Burgess (R-TX)

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SUPPORT: ClearPath Action, Idaho Falls Power, the Evangelical Environmental Network, the Utah Associated Municipal Power Systems, Citizens' Climate Lobby, the U.S. Nuclear Industry Council, the Nuclear Energy Institute, Carbon180, Bipartisan Policy Center Action, The Nature Conservancy, American Conservation Coalition, ThirdWay, Nuclear Innovation Alliance, Arnold Ventures, Clean Air Task Force, Citizens for Responsible Energy Solutions, Xcel Energy, American Public Power Association, Oklo Inc., NuScale Power, Geothermal Rising, Fervo Energy, Ormat, Geothermal Resource Group, GeothermEx, Long Duration Energy Storage of California, Environmental Defense Fund, Carbon Utilization Research Council, Clean Hydrogen Future Coalition, National Rural Electric Cooperatives Association and the American Petroleum Institute.

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