

Accelerating Power Sector Decarbonization: It's time to Enact a Federal Clean Energy Tax Package in Budget Reconciliation

Joint Statement of:

Center for Climate and Energy Solutions | Center for the New Energy Economy at Colorado State University |
Clean Air Task Force | DTE Energy | Edison International | Environmental Defense Fund |
Public Service Company of New Mexico | The Nature Conservancy | World Resources Institute | Xcel Energy

A [roundtable](#) consisting of leaders from several electric utilities, national environmental groups and research organizations focused on climate and energy policy has been meeting since March 2020 to identify an ambitious and equitable yet achievable emissions-reduction framework for the U.S. electricity sector.

They agree that the U.S. must achieve net-zero greenhouse-gas emissions across the economy by 2050 to avoid the worst effects of climate change, and that rapid emissions reductions from the electricity sector is a cornerstone of economy-wide progress. By 2030, electricity sector emissions must be low enough for the U.S. to deliver on its economy-wide Nationally Determined Contributions.

Achieving rapid transformation of such a critical sector of the economy will require well-designed, near-term government policies. These policies must emphasize innovation, technology optionality, and regionally tailored solutions so as to rapidly reduce emissions while advancing affordability, equity, environmental justice, reliability, and job creation.

Swift Enactment of a Federal Clean Energy Tax Package

These utility, environmental and think tank executives strongly support swift enactment of federal tax incentives in a budget reconciliation package to accelerate the nation's progress in reducing emissions from the power sector, and in turn, from the rest of the economy as more vehicles and buildings use electricity for their energy needs.

Starting with President Biden's proposed FY22 Budget in the summer, and then more recently in proposals in the House and Senate, policy makers are considering extensions of numerous existing production tax credits and investment tax credits for clean energy projects, and for consumers' purchases of energy efficiency measures and electric vehicles. These proposals also include several new tax incentives for construction of certain electric transmission facilities and energy storage technologies, as well as payments to financially challenged existing zero-emission power plants; enhanced incentives for solar facilities for low-income residential properties; provision of a "direct payment" option for tax incentives for certain renewables, energy technologies that provide 24/7 clean power, transmission, and alternative vehicle refueling investments; support for advanced manufacturing; opt-out of normalization for investment tax credits; and other clean-energy investments and expenditures.

These leaders support a robust package of federal tax incentives for clean energy technologies, including direct-pay options. To support meaningful progress on reducing carbon emissions from the power sector, the final package needs to provide long-term extensions and full funding for the tax incentives. Such federal incentives will help households, companies, other consumers, investors, and states make faster progress toward an affordable, reliable, resilient, equitable, and low-carbon energy transition.
