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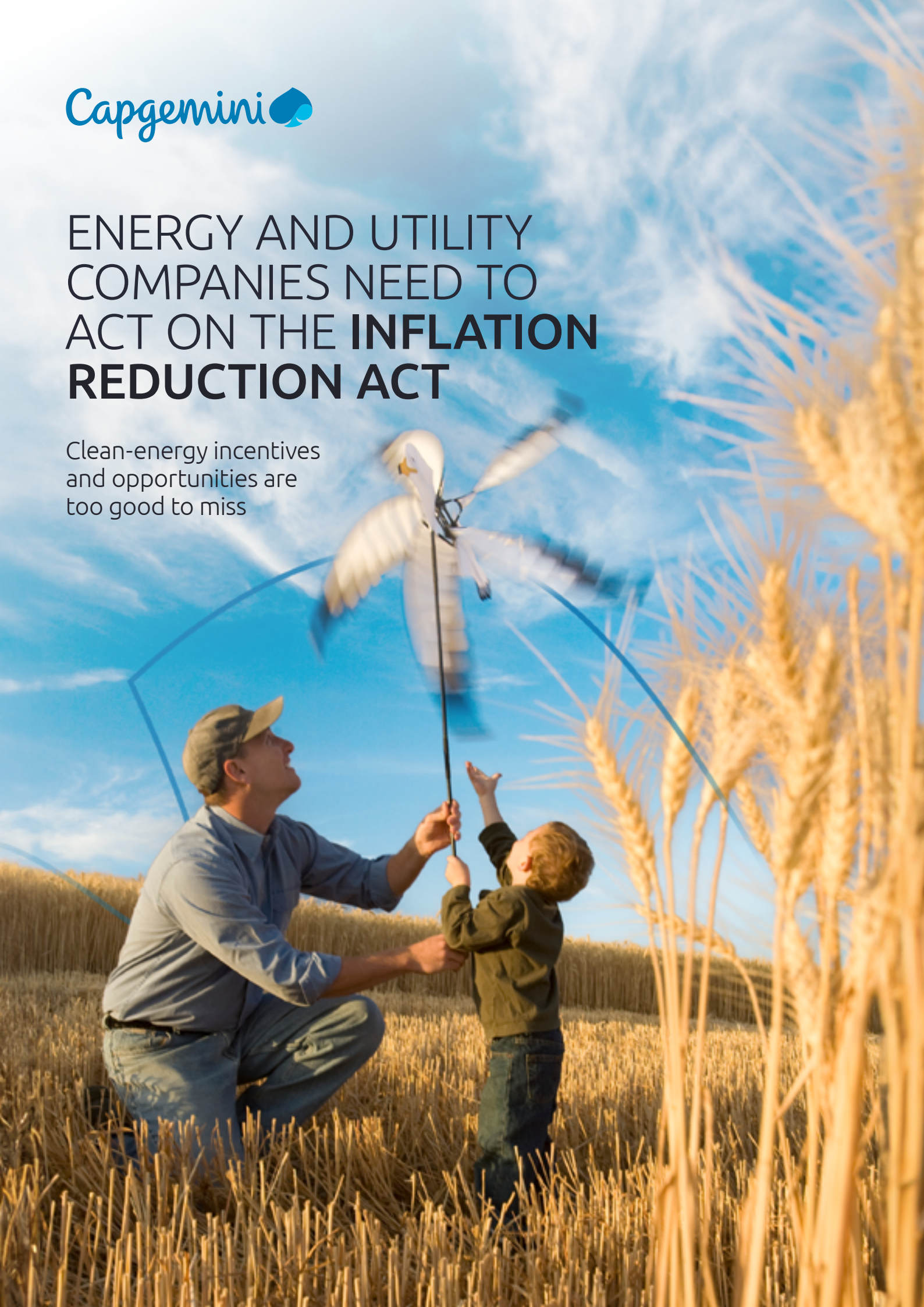
ENERGY AND UTILITY COMPANIES NEED TO ACT ON THE **INFLATION REDUCTION ACT**

Clean-energy incentives and opportunities are too good to miss



The Inflation Reduction Act (IRA) was signed into law on August 16, 2022, with the goal of building a clean-energy economy. It is a combination of grants, loans, rebates, incentives, and other investments to support an historic commitment to clean energy. Nearly $400 billion is dedicated to help lower America's carbon emissions by the end of the decade.

There are opportunities for clean electricity, transmission, and transportation in the IRA. For example, companies can receive a $30 tax credit per MWh for zero-carbon electricity generation after 2024, or $3 per kilogram for producing clean hydrogen. While the incentives, grants, and credits are a pathway to clean-energy transformation, the government's **guidebook** to the IRA is nearly 200 pages long. The complexity and density of the act makes it difficult for companies to access the available credits. The stumbling block is understanding how to leverage the IRA to meet business goals and explore new opportunities.

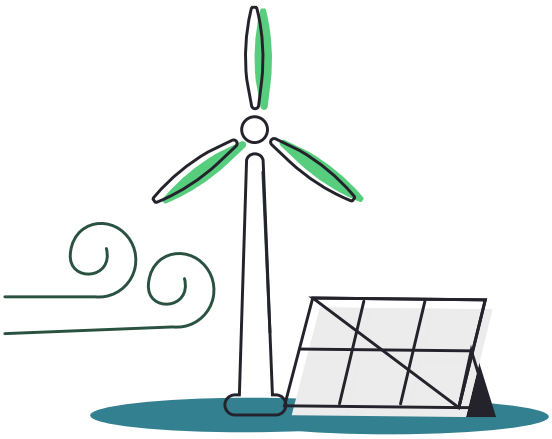
Time is running out. Projects need to start now to qualify for credits or grants. Waiting another year means companies are leaving IRA dollars on the table.

One-year anniversary mark

E2 (Environmental Entrepreneurs), a group which analyzes publicly available data for new clean-energy projects, expansions, and renewed productions, announced that since the IRA was signed into law last year, there are opportunities for many companies. However, only one quarter of the funds available have been accessed.

In fact, the number of projects has decreased in the last few months due to issues including supply-chain constraints, bureaucracy, interconnection challenges, and talent shortages.

Clean energy **projects**



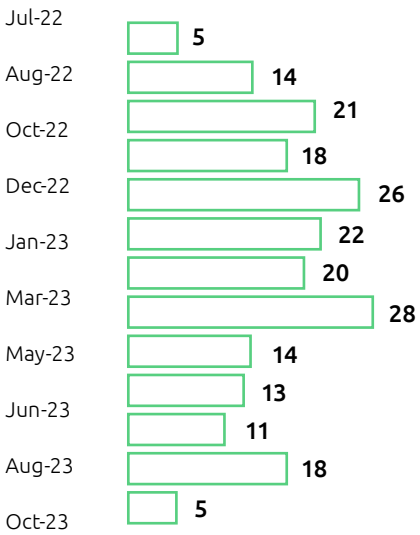
210 new projects

$86.3 billion investment

39 states

74,181 jobs

Number of clean energy projects



*estimates from E2 as of September 2023

IRA success stories

In the 10 weeks following the passage of the IRA, 15 new or expanded wind, solar, and battery facilities were announced. And five months later, there were 40 facilities announced, with solar representing the largest percentage. South Carolina, Georgia, and Michigan have developed the most clean-energy projects under the IRA.

The incentives for clean energy in the IRA include:

- Long-term tax credits for solar and wind projects
- New tax credits for standalone energy storage and new production in solar, offshore wind, geothermal energy, hydropower, and clean hydrogen
- Bonus credits with extra incentives for taxpayers who develop renewable projects
- Transferability and direct pay to increase the investor pool
- Federal-funding initiatives for technological innovation.

Initiatives underway include a $2.5 billion investment in a Georgia-based company for a large manufacturing complex that will produce critical components for solar panels. Two companies in Bakersfield, California, are collaborating on the development of a 75 megawatt green-hydrogen project.

A large energy company in the northeastern US finished a six-mile-long transmission line in a major suburb that will carry increasingly renewable electricity and allow the retirement of inefficient and polluting power plants. Another large energy company began construction in South Dakota of a 1.28-megawatt solar project.

The right IRA approach

The IRA is an ambitious piece of legislation, and it has faced some implementation gaps, including the release of program details by federal agencies. It has also happened that solar plants have been built but not immediately connected to the grid.

But the enormous opportunity of the IRA legislation cannot be missed. Companies need assistance and frameworks to learn about the incentives and grants in the IRA and how they can apply. Both an increasing drive towards decarbonization and the government funding available to help reach sustainability goals are now in place. Government funding can help companies reduce emissions faster.

Capgemini understands the lengthy and complex application process and is working with clients to scope and define projects in preparation for the funding approval. The IRA is a substantive piece of legislation and we can help companies assess the greatest areas of opportunity and subsequently help design and execute projects to take advantage of the IRA benefits.

The goal of the IRA is to reduce carbon emissions 40 percent by 2030 by increasing cleaner production and lowering energy costs. It is designed to accelerate the development and deployment of clean-energy technology. Energy companies have an opportunity to tap into the funding to move their clean-energy and sustainability goals forward. Even one year into the IRA, it is not too late to take advantage.

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