Exhibit No.:	
Issue(s):	*Tax Credits*
Witness:	*J Luebbert*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*EA-2024-0292*
Date Testimony Prepared:	*May 19, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF/RATE DESIGN DEPARTMENT

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

EVERGY MISSOURI WEST INC.,
d/b/a Evergy Missouri West

CASE NO. EA-2024-0292

Jefferson City, Missouri
May 2025

****** Denotes Confidential Information ******

SURREBUTTAL TESTIMONY OF

J LUEBBERT

EVERGY MISSOURI WEST INC.,
d/b/a Evergy Missouri West

CASE NO. EA-2024-0292

Q. Please state your name and business address.

A. My name is J Luebbert. My business address is P.O. Box 360, Suite 700, Jefferson City, MO 65102.

Q. Are you the same J Luebbert who filed rebuttal testimony and contributed to the Staff Recommendation report in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. My testimony responds to the Office of the Public Counsel witness Dr. Geoff Marke's rebuttal testimony regarding uncertainty surrounding the value of solar facilities. Through this testimony I will provide the Commission with additional citations to recent reports that raise concern about the continued availability of tax credits aimed at renewable generation resources.

Q. On pages 4-5, footnote 2 of Dr. Marke's rebuttal testimony, he cites to a White House proposal to limit availability of tax credits for renewable resources. Have there been additional actions at the federal level regarding the potential changes to renewable tax credits that may occur in the near term?

A. Yes. At a high level, federal legislators have proposed bills that would effectively repeal many of the tax incentives included in the Inflation Reduction Act of 2022 ("IRA"), which modified and extended eligibility for Production Tax Credits ("PTC") and

Investment Tax Credits ("ITC"). Attached to my testimony are three recent news articles that provide additional context of those efforts.[1] Additionally, a recent publication by S&P Global titled "Market Indicative Power Forecast IRA Repeal Scenario,"[2] provides insights on potential impacts of a full repeal of the IRA provisions.

Q. In the Staff Recommendation report, Staff includes the following condition:[3]

> EMW shall provide the Commission and Staff with justification for moving forward with the Projects if any costs or assumptions change from those estimates included in the workpapers that underlay EMW's direct testimony by more than 5%, including any costs that exceed the base amounts included in the underlying assumptions provided in support of EMW's application in this case.

Does knowledge of the recent events at the federal level regarding potential changes to renewable tax credits warrant additional consideration for that specific condition?

A. Yes. Given the recent discussions at the federal level and the level of uncertainty surrounding the availability of renewable generation tax credits (i.e. Production Tax Credits and Investment Tax Credits) on a going forward basis, Staff's recommendation is likely too narrow.

Q. How would Staff propose modifying the condition to reflect the increased uncertainty?

A. Staff recommends modifying the condition as follows:

> EMW shall provide the Commission and Staff with justification for moving forward with the Projects if any costs or assumptions change from those estimates included in the workpapers that underlay EMW's direct testimony by more than 5%, including any costs that exceed the base amounts included in the underlying assumptions provided in

[1] Schedules JL-s1, JL-s2, and JL-s3.
[2] https://www.capitaliq.spglobal.com/web/client#news/file?keyfileversion=347D35C0-0BC8-6EBE-F9A6-0A6831D44F3C&keyFileFormat=21.
[3] Page 42 of the Staff Recommendation report, attached to my Rebuttal Testimony as Schedule JL-r1.

> support of EMW's application in this case **or changes to the expectation of the level of tax credit (i.e. PTCs or ITCs) availability for the facilities**. [Emphasis added.]

Q. If the tax credits were unavailable for these facilities, would that change Staff's overall recommendation for approval of the CCNs[4] in this case?

A. Yes. The existence of tax credits has a tremendous impact on the expected revenue requirement impact for Evergy Missouri West ("EMW") ratepayers over the life of the assets. Removal of eligibility of these types of tax credits would fundamentally change the economics of moving forward with the Foxtrot and Sunflower Sky facilities. If the facilities ultimately do not qualify for renewable tax credits, Staff would recommend that the Commission reject EMW's application in this case. One alternative for the Commission to consider is to condition approval on the facilities being eligible for the full PTC and ITC.

Q. What are EMW's primary justifications for the economics of these solar facilities?

A. EMW's analysis relies heavily on the Net Present Value of Revenue Requirement ("NPVRR") comparisons from its Integrated Resource Plan ("IRP") and comparisons of the Levelized Cost of Energy ("LCOE"). While Staff has offered criticism of both of these metrics as justification for specific projects, I will not reiterate those in this testimony. However, any change to the tax credit availability will fundamentally change the outcomes of both the NPVRR and LCOE analyses.[5] The absence of tax credits for wind and solar resources would invalidate the results of EMW's IRP analyses.

[4] Certificate of Convenience and Necessity ("CCN").
[5] It would also alter various analyses conducted to support the IRP report, including the capacity expansion modeling and likely the assumptions for SPP market prices.

Notwithstanding the issues with EMW's modeling in this case, removing the benefit of the tax credits from the workpapers provided in EMW's response to Staff Data Request No. 0053 results in a roughly ** [redacted] ** increase in calculated revenue requirement for Foxtrot. The graphic below provides the EMW estimated annual revenue requirement (in thousands) for Foxtrot with and without PTCs.

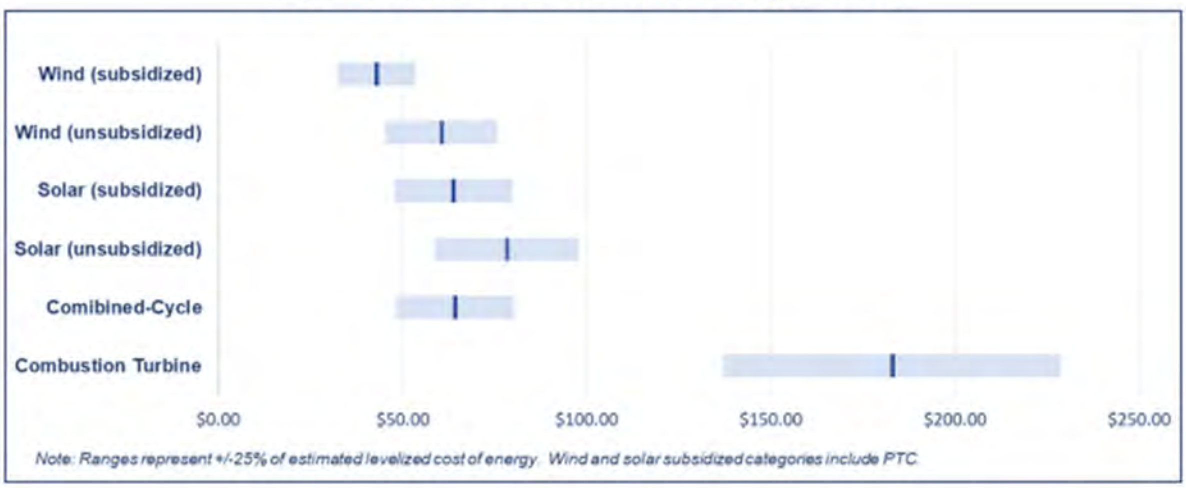
**

[redacted]

**

Furthermore, EMW provided context for the impact on LCOE of various resources with and without the PTC as shown in the figure below.[6]

Figure 39: Levelized Cost of Energy ($/MWh)



[6] Page 68 of 2024 Volume 4 – Evergy Missouri West Supply Side Resource Analysis-Public, filed in Case No. EO-2024-0154.

EMW did not provide an update to Figure 39 in the 2025 IRP filing and cost assumptions have likely changed, but the magnitude of the difference in LCOE for solar with and without the PTC is likely similar.

Q. How does this information affect Staff's recommendation that the Commission reject EMW's request for decisional prudence in this case?

A. This information bolsters Staff's recommendation that the Commission reject EMW's request for decisional prudence. In Staff's view, the decision to move forward with these projects is necessarily tied to the availability of tax credits. If the Commission approves the projects and grants decisional prudence despite the uncertainty surrounding tax credit availability, EMW will be incentivized to move forward with the projects regardless of the additional impact on ratepayers if the tax credits are not able to be utilized. If the CCNs are approved but EMW is not granted decisional prudence, EMW will still have an opportunity to evaluate the impact of the potential increase in overall revenue requirement impact and make the decision as to whether or not to move forward with the projects. Then the issue of prudence can be evaluated in a future case, with more complete discovery on the topic, more analysis as to why the projects' benefits outweigh the new costs, and a more complete record for Commission consideration. Put simply, the Commission does not need to make this decision in this case, and in doing so, preserves ratepayer protection for further analyses.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for Permission and Approval of Certificates of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Manage, Maintain and Control Two Solar Generation Facilities	)	File No. EA-2024-0292

AFFIDAVIT OF J LUEBBERT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW J LUEBBERT, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of J Luebbert;* and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

J LUEBBERT

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 14th day of May 2025.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public

What the Republican Budget Plan Means for the IRA

Much may depend on the Senate's tolerance for fuzzy math.

EMILY PONTECORVO · APRIL 10, 2025

Heatmap Illustration/Getty Images

House Republicans passed a budget blueprint Thursday morning that lays the groundwork for the party to begin drafting legislation to enact President Trump's agenda. Now the fight over the Inflation Reduction Act's clean energy tax credits begins in earnest.

The blueprint is merely a set of instructions for writing the eventual budget bill, laying out topline numbers for tax cuts and spending reductions — it doesn't contain any control and defense.

The resolution that Republicans passed allows for all of the above. In total, it enables Congress to craft a bill that would increase the national debt over the next decade by more than $5 trillion.

The good news for the IRA tax credits is that the framework only *requires* lawmakers to craft legislation that would produce $4 billion in savings — a relatively small amount that doesn't exert much pressure on cutting the tax credits. The bad news is that Senate Republicans have given their word to budget hawks in the House that they will aim to cut much more than that — at least $1.5 trillion in spending. House Republicans, for their part, are eager to do at least $2 trillion in deficit reductions.

ADVERTISEMENT

According to a “menu” of budget proposals that made its way around the Hill earlier this year, Republicans estimate they could save anywhere from $3 billion to $800 billion by repealing IRA tax credits, depending on how many and which ones are cut.

Lawmakers could also go after other climate-related policies, like cutting grant programs from the Department of Energy and Environmental Protection Agency. “Most of the funds have been obligated,” meaning they’re legally committed to grantees, “so but even that would be a drop in the bucket compared to the trillions they want for offsetting tax cuts."

Lobbyists on Capitol Hill and other experts I've spoken with over the past two weeks disagree about how much the numbers matter when it comes to whether and how much of the IRA will be repealed. Some felt the budget math would take priority, while others told me that if any of the tax credits were killed or saved, it would be for political reasons over anything else.

Though the biggest political target seems to be the electric vehicle tax credits, "anything with a price tag is at least somewhat vulnerable," McDonough said. Lawmakers could also opt to make certain credits more difficult to access or phase them out earlier rather than fully repeal them.

McDonough also said the lobbying that companies and trade groups have been doing around the manufacturing and clean electricity tax credits appeared to be working, and will ratchet up even more in May. "Appealing to 'all of the above' and 'energy dominance' is working because everyone knows how badly we need new generation to meet rapidly rising demand and a lot of the clean energy resources happen to be the quickest to deploy," he said. "Utilities want it too, which is also very important."

ADVERTISEMENT

The Republican-controlled Congress has tasked itself with finding at least $1.5 trillion in spending cuts during the budget reconciliation process. Here's how much each IRA credit is worth, per analysis from the Tax Foundation.

Repeal risk	Tax credit	What is it?	Value, 2025 - 2034
High	Clean Vehicle Credit (30D)	Up to $7,500 credit for new EVs	$193 billion
High	Used Clean Vehicle Credit (25E)	Up to $4,000 credit for used EVs	(inc. in estimate for 30D)
High	Credit for Qualified Commercial Clean Vehicles (45W)	For purchasers of qualified commercial clean vehicles, including EVs used for leases	(inc. in estimate for 30D)
High	Alternative Fuel Vehicle Refueling Property Credit (30C)	For alternative refueling property in low-income and rural areas, including EV chargers	$8 billion
High	Energy Efficiency Home Improvement Credit (25C)	For energy-efficiency improvements of residential homes, including heat pumps	$22 billion
High	Residential Clean Energy Credit (25D)	For the purchase of residential solar, wind, geothermal heating, or battery storage	$50 billion
High	New Energy Efficient Homes Credit for Homebuilders (45L)	For construction of new energy efficient homes	$2 billion
Medium	Clean Electricity Production Tax Credit (45Y)	Technology-neutral credit for production of clean electricity	$170 billion
Medium	Clean Electricity Investment Tax Credit (48E)	Technology-neutral credit for investment in new facilities that generate clean electricity	$82 billion
Medium	Advanced Manufacturing Production Credit (45X)	Production tax credit for domestic manufacturing of components for solar and wind energy, inverters, battery components, and critical minerals.	$145 billion

		emissions intensity	
Low	Nuclear Power Production Tax Credit (45U)	For electricity from existing qualified nuclear power facilities	$39 billion
Low	Clean Fuel Production Credit (45Z)	For domestic production of clean transportation fuels, including sustainable aviation fuels	$13 billion
Low	Credit for Carbon Oxide Sequestration (45Q)	Credit per ton of carbon sequestered underground, with higher values for carbon captured directly from the air	$36 billion

Source: Tax Foundation • Embed • Download image

HEATMAP

On Thursday, Republican Senators Lisa Murkowski of Alaska and John Curtis of Utah sent a letter to their party's leadership asking them to preserve tax credits that spur manufacturing, reduce energy costs for consumers, and give certainty to businesses that have already made investments in the U.S. based on the credits. Thom Tillis of North Carolina and Jerry Moran of Kansas also signed the letter. It was the first major show of support for the tax credits in the Senate, following a similar letter signed by 21 Republicans in the House.

Republicans are trying to enact Trump's agenda using a special process called budget reconciliation, which will enable them to pass it with a simple 51-vote majority rather than the 60 votes required to overcome a filibuster. The party currently has 53 seats, so four Republicans coming out in favor of preserving IRA tax credits is a good sign for the law. Similarly, the Republicans have a seven-seat majority in the House, and so those 21 who like the IRA could have quite a bit of influence.

But the other big open question for the future of the IRA — and frankly, for the future of the Senate — is whether Republicans will proceed with the fuzzy math they are using to calculate the cost of the bill. When the Congressional Budget Office scores the extension of Trump's 2017 tax cuts, it will use what's called a "current law baseline," and estimate that they will cost the government more than $3 trillion dollars over the next ten years. Senate Republicans, however, have asserted that extending the 2017 tax cuts is free and

The reason this matters for the IRA is that the budget reconciliation process has strict rules. If lawmakers were forced to recognize the true cost of the tax cut extensions in drafting the budget bill, they would have to make several trillion dollars' worth of additional spending cuts in order to align with the blueprint they passed this week. In that scenario, it's hard to see how any of the IRA could survive.

ADVERTISEMENT

But if Republicans unify around this fuzzy math and carry it all the way to the final vote on the bill, which would be unprecedented, they could face a showdown with Democrats, who will say the bill doesn't comply with the reconciliation rules. In that scenario, they'll be faced with a choice either to go back to the drawing board or take the nuclear option — essentially changing how the Senate operates.

"There will be a majority vote on whether the Senate wants to change its precedents going forward, forever, and basically open up reconciliation to whatever policies the majority wants to enact going forward," Charlie Ellsworth, another lobbyist for Pioneer Public Affairs, told me.

Expect to hear a lot more about this debate over the cost of the tax cuts once lawmakers return to Washington on April 28 after a two-week recess. Republicans have said they the House Ways and Means committee to push out a first version of the bill in May, so we'll see what the first proposal is for the fate of the IRA tax credits then.

EMILY PONTECORVO

Emily is a founding staff writer at Heatmap. Previously she was a staff writer at the nonprofit climate journalism outlet Grist, where she covered all aspects of decarbonization, from clean energy to electrified buildings to carbon dioxide removal.

US House energy panel moves bill to fast-track gas, oil permitting, cut spending

Wednesday, May 14, 2025 1:33 PM CT

By Tom Tiernan, Maya Weber
, *Commodity Insights*

The US House Energy and Commerce Committee advanced legislation to compel faster permitting of pipelines and LNG facilities, slice funding for clean energy and emissions reduction programs, and repeal regulations on tailpipe emissions.

The panel's energy and environment titles passed easily in committee on party-line votes late May 13. Key Republican policy provisions may face challenges with the US Senate parliamentarian, however. Democrats are expected to argue that language repealing vehicle tailpipe and efficiency standards violates the Byrd Rule, a procedural Senate rule intended to prohibit the inclusion of non-budgetary provisions in reconciliation bills.

If the panel's permitting provisions survive in the bill, they could tip the balance in favor of pipeline developers by allowing expedited permitting and all but requiring agency approvals for those applicants who pay a fee, while narrowing opportunities for judicial review.

Republicans praised the permitting provisions as bolstering energy dominance and leading to lower costs.

"The best way to lower energy prices is expand use of America's abundant energy resources — gas, oil, coal, hydropower — that provide affordable, reliable power and fuels and not limit those resources in a forced transition of expensive renewable energy, as the [Inflation Reduction Act] sought to do," said Rep. Robert Latta (R-Ohio).

Democrats attacked what they called an unprecedented "pay-to-play" program for permits, but their amendments showcasing their objections were voted down.

Under the legislation, if developers pay a fee, a new provision for projects that cross international borders directs the Federal Energy Regulatory Commission to issue a certificate of crossing for pipelines carrying oil, gas, hydrocarbon liquids, refined petroleum product, hydrogen, CO_2 and other energy products, as well as electric transmission facilities.

Another permitting provision seeks to expand FERC's jurisdiction to oversee the siting of oil, hazardous liquid, CO_2 and hydrogen pipelines under a program akin to FERC's gas project review process, adding federal eminent domain powers and removing state and local siting powers.

"This would essentially federalize all interstate pipelines in the United States and put it under federal routing jurisdiction," said Paul Blackburn, attorney and energy policy adviser with Bold Alliance.

LNG project developers who pay a fee would also have their exports to non-free-trade agreement countries deemed in the public interest by the US Energy Department, turning a long process for exports to those nations into a quick sign-off, although FERC would still examine the impacts of the US terminals themselves.

Gas project reviews

Changes to the Natural Gas Act also would allow companies to pay a fee to get an expedited review of their projects by FERC, lasting a year to 18 months, with the commission and states and other agencies instructed to approve the project, although they would have the ability to set conditions to comply with statutes.

The legislation appears aimed at overcoming states' ability to block projects using authorities such as the Clean Water Act. And environmental organizations would have a harder time gaining standing for legal challenges, which would need to meet a higher standard of review.

Tom Sharp, director of permitting intelligence at Arbo, said the bill could have a significant impact on the gas industry because it authorizes faster permitting and addresses the litigation delays that have increasingly affected gas projects.

"But it may conflict with environmental laws, constitutional safeguards, and states' rights — making early projects key legal test cases if these provisions become law," Sharp said.

Some Democrats who were previously involved in bipartisan negotiations on permitting reform criticized the bill.

Rep. Scott Peters (D-Calif.) said the measure departs from an all-of-the-above energy policy by elevating coal and natural gas, while ignoring renewable sources and transmission lines.

"This is the definition of picking winners and losers, and it is not the way we will receive a resilient, energy-abundant future," Peters said.

Elsewhere, the bill delays by 10 years the fee on methane emissions in the oil and gas sector, but does not fully repeal the charge, an apparent nod to revenue scoring considerations.

Cuts to IRA funding

Multiple areas of funding for initiatives under the Inflation Reduction Act would be rescinded under the Republican-supported bill if the funds have not yet been obligated. That includes grants for environmental justice initiatives and transmission line siting, such as for offshore wind project transmission and national-interest electric transmission corridors. A few corridors have been designated but not obligated funding from the DOE.

Unobligated funds for electric vehicle component manufacturing, air pollution monitoring and reduction efforts and the Environmental Protection Agency's grants to the greenhouse gas reduction fund are also slated for cuts. Among the larger line-item rescissions identified in the bill are about $402 million for DOE's Office of Energy Efficiency and Renewable Energy, and $262.5 million for state and community energy programs.

The five programs in the DOE loan program office involve clean energy financing, tribal energy financing, advanced technology vehicles manufacturing, carbon dioxide transportation infrastructure financing and energy infrastructure reinvestment. Much of the funding authority added by the IRA expires in 2026 and 2028, and a recent Government Accountability Office report said Congress should consider reducing the funding authority, given the unobligated amounts.

Rep. Morgan Griffith (R-Va.) emphasized that most of the cuts in the environment section of the bill cover unobligated funds, meaning existing grants and awards would not be rescinded.

Democrats countered that the Trump administration is separately trying to freeze out funding for existing awards, and that the combination of the legislation and administration efforts would decimate progress made to address climate change. White House and DOE efforts to halt IRA project funding authorized by Congress are illegal and subject to ongoing challenges in courts, Democrats contended.

Republicans are trying to recover the unobligated balances as part of the effort to reduce the national debt, Griffith and other Republican members said. Committee Chairman Brett Guthrie (R-Ky.) noted that the House Budget Committee tasked the panel with identifying $880 billion in savings and new revenue, and much of the savings in the legislation stem from ending EV mandates and "wasteful Green New Deal-style spending."

Democrats criticized the bill for taking away funds that would help establish much-needed transmission lines to support grid reliability and encourage power flows as the nation's generation portfolio changes.

Of relevance to the oil sector, the legislation would allocate $2 billion to the DOE for fiscal year 2025 for the Strategic Petroleum Reserve.

It also seeks to overturn two major Biden administration ground transportation rules: the EPA's light- and medium-duty vehicle emissions standards for model years 2027–2032, and the National Highway Traffic Safety Administration's latest corporate average fuel economy standards.

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.

House GOP tax proposal would end EV subsidies, phase down US climate law credits

Monday, May 12, 2025 5:32 PM CT

By Zack Hale and Eamonn Brennan
Commodity Insights

House Republican tax writers unveiled a draft proposal May 12 that would end most electric vehicle subsidies and phase out or alter several key US clean energy tax credits, while leaving a crucial credit for biofuels producers intact.

The House Ways and Means Committee's proposed portion of House Republicans' broader budget reconciliation bill will be subject to committee debate the following day and a wider tax fight yet to play out on Capitol Hill. But the text offered a first glimpse, long awaited by industry, of the potential fates awaiting a variety of new and expanded tax credits in the Inflation Reduction Act of 2022.

As expected, the bill would terminate significant electric vehicle tax credits, which former US President Joe Biden and a Democratic Congress passed in their attempts to spur EV adoption. It would also end the energy efficient home improvement credit, the residential clean energy credit, and the new home energy credit.

Somewhat less expectedly, the bill proposes to sunset clean hydrogen production tax credits (45V) at the end of this year, seven years ahead of schedule.

The proposal would also phase out core clean electricity and nuclear energy subsidies.

By contrast, alongside minimal changes to the IRA's credit for carbon capture and storage (45Q), the draft proposal would keep and extend the law's clean fuel production credit (45Z). The latter would be a relief for beleaguered US biofuels producers and the nascent sustainable aviation fuel industry.

EV sea change

The Ways and Means committee's language could dramatically alter consumer incentives for electric vehicles. Since 2022, the US Treasury Department has provided EV buyers a tax credit of up to $7,500 based on the consumer's income status and the location of the vehicle's assembly, among other qualifications. Republicans have criticized the policy, alongside Biden-era rules for tailpipe emissions and corporate fuel economy standards, as a de facto "EV mandate" that restricted consumer choice.

If passed, the bill would limit the new clean vehicle credit to vehicles for which automakers have sold fewer than 200,000 units.

Passenger EV sales reached 114,000 units in February, up 4.2% year over year, S&P Global Commodity Insights analysts wrote in an April 30 edition of the EV Essentials report. The EV market share slid slightly to 9.4%.

"The global EV market has become more shaped by regulatory uncertainty and trade tensions, increasingly leaving adoption to consumer preference," the analysts said.

Phasedowns for clean energy credits

The bill would start to phase out the IRA's zero-emission technology energy production tax credit (45Y) and investment tax credit (48E) for projects placed into service beginning in 2029.

Under the IRA, the two credits were designed to phase out over a four-year period starting in 2032, or when US greenhouse gas emissions from electricity production decline 25% or more from 2022 levels — whichever is later.

The IRA's 45Y production tax credit starts at 0.3 cents/kWh and can increase to 1.5 cents/kWh for projects that meet prevailing wage and apprenticeship requirements. The law's technology-neutral 48E investment tax credit offers an initial 6% deduction on a project's property basis, with a potential 30% bonus rate provided the same labor requirements are met.

The May 12 draft bill would implement a 20% phaseout for the 45Y and 48E credits starting in 2029, followed by a 40% phaseout in 2030, 60% phaseout in 2031, and a full phaseout for projects placed into service in 2032 and later.

The IRA's nuclear production tax credit (45U) would be subject to the same phaseout approach.

The IRA's transferability provisions for the 45Y and 48E credits — which allow nonprofit and tax-exempt entities to realize the full cash value of the credits — would be repealed for projects that commence construction two years after the bill's date of enactment. Transferability for 45U would be repealed starting in 2028.

In addition, the bill would completely end the IRA's advanced manufacturing production credit (45X) for eligible components sold in 2032 and later, while wind energy components would no longer be eligible for 45X starting in 2028. The draft bill would also repeal transferability for 45X starting in 2028.

The bill would repeal transferability for the IRA's carbon capture and sequestration tax credit (45Q) for equipment commencing two years after the bill's enactment.

Furthermore, the draft proposal would bar credit-eligible projects from receiving "material assistance" from "prohibited foreign entities" and "foreign-influenced" entities, as defined in part by the 2021 and 2024 national defense authorization bills. The bill also includes restrictions that specifically targets entities identified as a "Chinese military company" operating in the US.

Clean fuels win

The committee's legislation extends the 45Z credit until 2031. It also bans the use of feedstocks sourced outside the US, Mexico and Canada — such as used Chinese cooking oil — for producers hoping to qualify for the credit.

The bill would also rewrite the way the credit is calculated, excluding the effects of indirect land use changes in lifetime greenhouse gas emissions calculations.

The 45Z credit was originally designed to incentivize the domestic production of fuels with 50% lower lifecycle greenhouse gas emissions than petroleum. Any fuel that is suitable for use in a highway vehicle or aircraft is eligible if it meets emissions reduction requirements.

According to the Congressional Research Service, the existing credit scales beyond the 50% reduction threshold, up to a maximum of $1/gal for non-aviation fuel and $1.75/gal for aviation fuel. Producers that reduce carbon intensity scores beyond 50% are eligible for an additional 2 cents per point of carbon intensity reduction.

The specifics of those calculations, particularly how so-called "climate-smart" agricultural techniques would be scored, were the subject of intense lobbying by ethanol and other biofuels trade groups throughout 2024, as industry sought more access to the credit and the Biden Treasury Department delayed detailed qualification guidance.

The House Committee on Ways and Means, chaired by Rep. Jason Smith (R-Mo.), is scheduled to debate and mark up its portion of the reconciliation bill May 13.

Siri Hedreen contributed to this article.

Article amended at 11:38 a.m. ET on May 14, 2025, to correct the Inflation Reduction Act's timeline for phasing out the 45Y and 48E tax credits.

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.