

September 3, 2021

Chairman Richard Neal  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington D.C. 20515

Dear Chairman Neal, Subcommittee Chairman Thompson, and Members of the Ways and Means Committee,

In line with science-based climate targets, President Joe Biden has committed the United States to achieving a 100 percent carbon-free power sector by 2035. To decarbonize the electricity grid on this accelerated timeline, Congress will need to not only utilize but **optimize** the policy tools that it has available - including clean energy tax credits. If designed correctly, ten years of full-value clean energy tax credits for new zero-emission electricity generation have the potential to transform the power sector, cutting carbon emissions by [as much as 73 percent below 2005 levels in 2031](#), assuming existing clean energy resources do not retire prematurely. These emissions reductions are not possible, however, without the provision of tax credit flexibility.

**To maximize the deployment of renewable energy, Congress must provide clean energy tax credits that allow both wind and solar developers the option to take either the production tax credit (PTC) or the investment tax credit (ITC), as best suits each individual project.**

This credit flexibility in the form of PTC/ITC optionality would significantly increase the climate impact of clean energy tax credits. Compared to a ten-year extension of the existing wind PTC and solar ITC, the implementation of clean energy tax credits with PTC/ITC optionality would result in **over double the emissions reductions by 2031**, according to [modeling](#) by the Rhodium Group, which is an additional 141-161 million metric tons of carbon dioxide in avoided annual emissions.

The ITC was once the preferable - and only - option for solar developers, but the capital costs for solar projects are now rapidly declining. While a stable PTC would continue to incentivize new clean energy deployment at the same incentive per megawatt-hour, the absolute value of an ITC would steadily decrease over time as project costs fall. To achieve our emissions reduction goals, Congress must establish a level playing field for wind and solar developers to build out the renewable capacity necessary for a 100 percent carbon-free power sector.

We commend Representative Tom Suozzi's leadership in introducing the [Incentivizing Solar Deployment Act](#) this Friday, which would establish a full-value PTC for solar energy. To sufficiently meet our emissions reduction goals, a solar PTC should extend through 2031 and be included as part of a long-term, full-value clean energy tax credit package with direct pay and appropriate labor and domestic content standards.

In addition, the economics of any particular project will vary depending on geography, technology type, timing, and other factors. A wind developer may in some cases prefer an ITC, for example. As a result, credit flexibility, as would be established for solar projects through the Incentivizing Solar Deployment

Act, should also be extended to wind projects. Providing the option of an investment or production tax credit for all new clean energy projects will maximize the incentive for new deployment.

Long-term, full-value tax credits that give all renewable developers the option to receive the most effective credit would provide industry with the certainty and flexibility they need for continued growth in a changing energy market.

With less than 15 years to decarbonize the electricity grid, Congress must leverage policy solutions that are as impactful, common sense, and cost-effective as PTC/ITC optionality. This flexible approach will both maximize emissions reductions and allow the job-creating, renewable energy industry to grow at the rate we need. We hope your office will help ensure that long-term, full-value renewable energy tax credits with credit flexibility and direct pay are included in the infrastructure package passed by Congress.

Sincerely,

Center for American Progress  
Climate Law and Policy Project  
Environment America  
Environmental Defense Fund  
Evergreen Action  
League of Conservation Voters  
National Audubon Society  
National Wildlife Federation  
Natural Resources Defense Council  
Partnership for Policy Integrity  
Rocky Mountain Institute  
Sierra Club  
Union of Concerned Scientists