JONES DAY

Jones Day Tax Practice: Energy and Tax Credits

The Trends

The energy sector is undergoing a historic transition toward cleaner, more sustainable sources. Policymakers wishing to accelerate energy transition have enacted special tax incentives like tax credits and accelerated depreciation to encourage taxpayers to adopt clean energy technologies. In the United States, legislation like the Inflation Reduction Act (IRA) has broadened the scope of available tax credits, driving investments in solar, wind, carbon capture, hydrogen, and advanced manufacturing facilities. These incentives help clean energy developers secure better financing and improve the viability of their projects.

Yet, tax incentives create significant complexities. Taxpayers wishing to benefit from IRA tax credits must navigate requirements, including demonstrating adherence to prevailing wage standards, meeting domestic content thresholds and qualifying under energy community provisions. Moreover, taxpayers must tackle these burdens while contending with the practical challenges of securing permits, managing engineering demands, ensuring operational readiness and utilizing new and rapidly evolving technologies. Adding to the challenge is the uncertainty created by the prospect of legislative and regulatory changes.

While claiming a tax credit is one challenge, monetizing it to create a reliable source of project funding is another. Tax equity financing, inverted lease structures and transferable credit sales require sophisticated legal and financial strategies. Developers often need help transforming the theoretical value of a credit into usable capital for their projects, particularly when dealing with complex structures or novel market dynamics.

Successfully navigating this landscape demands a deep understanding of the requirements of the tax code, the technical parameters of qualifying technologies and the nuances of credit monetization strategies.

How We Can Help

Jones Day tax attorneys work side-by-side with developers and investors, from planning through placement in service. We offer comprehensive support so stakeholders can maximize the value of credits and incentives.

- **Helping Taxpayers Qualify for Credits** – We guide clients through the eligibility criteria, helping them understand construction start deadlines, domestic content thresholds, prevailing wage standards, recapture rules, and other technical requirements.

- **Tax Credit Sales Made Simple** – The IRA created a market for buying and selling credits, opening new opportunities for project finance. We guide clients through the process, including due diligence, preparing purchase documents, and negotiating insurance policies.

- **Structuring Tax Equity Transactions** – Tax equity remains a linchpin of clean energy project financing. We are experienced with partnership flip and "T-flip" structures that convert tax credits into usable capital. We can help you turn a carefully crafted tax equity model into a fully realized project.

- **New Opportunities for Public-Private Partnerships** – The IRA allows cash "direct pay" refunds by certain taxpayers, like tax-exempt entities or municipalities. This unlocks potential for private-public partnerships to leverage tax credit opportunities.

- **EV tax credits** – The IRA has introduced tax credits for electric vehicles (EVs) contingent on meeting stringent supply chain requirements for batteries and critical minerals. We work with OEMs and Tier 1 suppliers to ensure compliance with content and sourcing standards, review contractual obligations, and position them to capitalize on the EV market's rapid growth.

We do not stop at the tax code. We advise on compliance with domestic content and labor standards, environmental and permitting regulations, and securing interconnection agreements, to provided integrated advice.

Who Will Be Impacted?

- **Renewable and Clean Energy Developers** – From solar and wind farms to hydrogen producers and carbon capture facilities, developers need to ensure their projects qualify. Effective qualification and monetization strategies reduce the cost of capital and enhance project profitability.

- **Project Sponsors and Investors** – Private equity funds, investors, and corporate sponsors can improve returns, drive portfolio diversification, and secure more favorable terms in the capital markets, with tax incentives.

- **Manufacturers and Suppliers** – Companies producing turbines, solar panels, inverters, storage systems and other critical components must understand how incentives shape demand and pricing. Suppliers can position more strategically within emerging supply chains with advanced manufacturing production and investment tax credits.

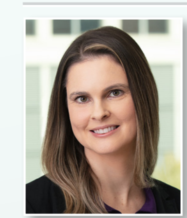
- **Corporate Taxpayers** – The new market for transferrable tax credits offers impressive returns for corporations with federal income tax liability, without the complex accounting associated with tax equity. Corporate taxpayers can buy credits at a discount, while mitigating risks with insurance policies and insurance coverage.

- **Financial Institutions and Advisors** – Tax equity investors continue to play a vital role in the tax credit space because they benefit both from tax credits and depreciation. We help financial institutions structure tax equity investments, manage compliance risks, and align their offerings with evolving market demands.

Key Contacts

For further information regarding our Tax Practice, please contact your principal Firm representative or one of the lawyers listed below.

United States



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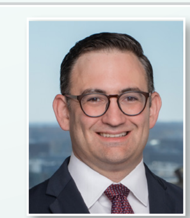

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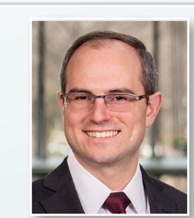

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