

The Energy Sector Innovation Credit

The **Energy Sector Innovation Credit** is a technology-neutral approach that would leverage new private investment in nascent clean technologies, help cutting-edge technologies break into the market, and then naturally phasedown as each technology proves commercial viability. It could bring about the new technologies needed to quickly and cheaply reduce global emissions. The innovation ESIC incentivizes is key to a strong energy supply plus will help address the climate and environmental challenge of this generation. The United States must lead on clean energy technology development.

Why is the Energy Sector Innovation Credit Needed?

The United States is falling behind in energy innovation. Energy innovation should be more like Silicon Valley innovation: fast, disruptive, exciting and good for consumers. Instead, the size and complexity of the energy market stymies American ingenuity and entrepreneurship. The “newcomer’s tax” is too big for new technologies that could otherwise provide immense benefits to the grid’s security and reliability.

That’s why our nation needs energy innovation that is technology-neutral with a built-in off ramp, not policies that pick winners and losers to the detriment of the consumer. Facilitating the expansion of energy that is cheaper, cleaner and more reliable will strengthen the American economy while bolstering our nation’s economic competitiveness.

How It Works:

- **Technology Neutral:** Instead of picking winners and losers within the energy sector, this proposal bolsters market-driven innovation across electricity-generating technologies.
- **Electricity When It’s Needed:** The incentive applies to the value of the energy when it is sold, so unneeded power is not rewarded. It is market-based and market-driven.
- **Built-In Ramp-Down:** The policy encourages new entrants to market with benefits eventually set to sunset for each energy technology as it grows. This will spur innovation in the market and avoids windfalls for proven technologies or propping up uneconomical technologies.
- **Updating Existing Technologies:** Significant improvements to existing electricity generation facilities may qualify for the investment tax credit.
- **Apply Storage:** Energy storage has the opportunity to improve the dynamic nature of electricity delivery. The policy will encourage more developments in storage technology and application to the grid.
- **No Double-Dipping:** Technologies that claim the existing technology-specific incentives, such as Investment Tax Credit (ITC) or Production Tax Credit (PTC), cannot also use this incentive.
- **Incentives for Reducing Carbon Emissions:** The policy will encourage innovative and cleaner technology to come to market, increasing our energy production options with benefits for the environment.

By the Numbers:

Energy Sector Innovation Electricity Production Credit:

- Tax credit worth 60% for a technology <1% of national generation
- Tax credit worth 45% for a technology <2% of national generation
- Tax credit worth 30% for a technology <3% of national generation

Energy Sector Innovation Investment Credit:

- Tax credit worth as much as 30% for nascent technologies, energy storage, and retrofits
- Tax credit worth 40% for a “first-of-a-kind” technology