NEWSLETTER *Published February 16, 2024 · 6 minute read*

On the Grid: Honing Our Competitive Edge 2/16/24

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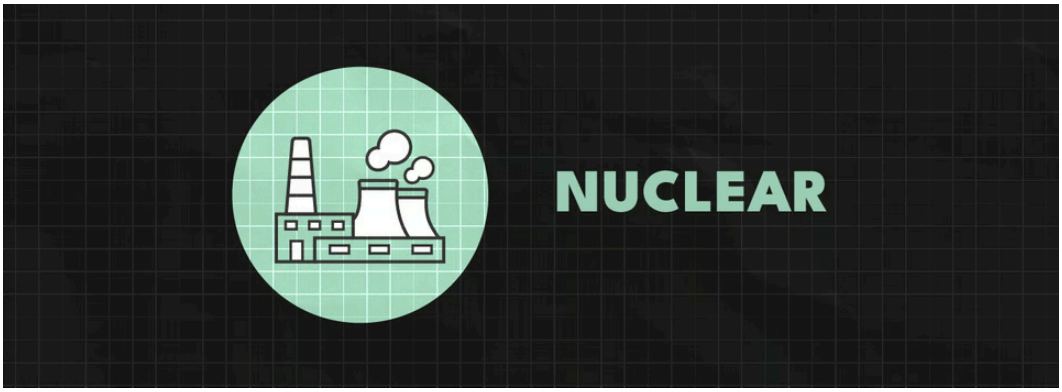
Welcome to *On the Grid,* Third Way's bi-weekly newsletter, where we review the important actions we are taking to help invent and deploy every clean energy technology to get to net-zero as quickly and affordably as possible. As it's an election year, we'll also work to cut through the noise and highlight what's really happening and why it matters for our clean energy work.

We're excited to have you join us!



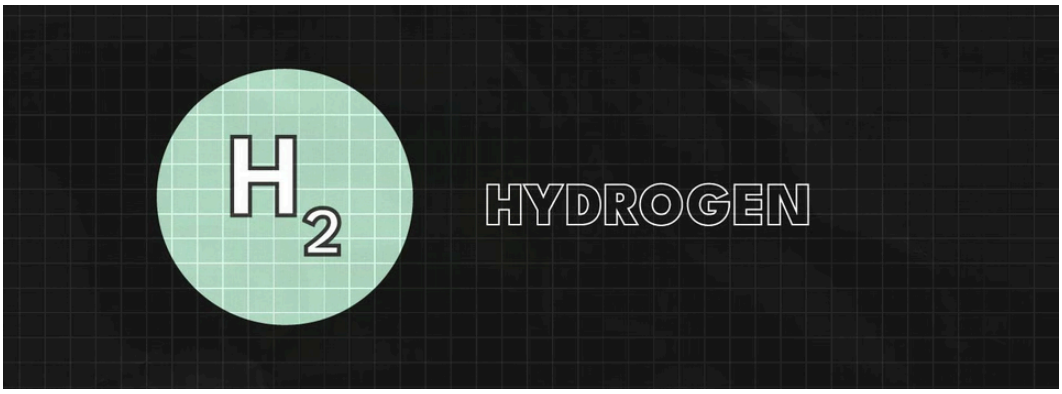
This week, the Senate passed the National Security Supplemental, allocating $2.7 billion to support low-enriched uranium production for our existing nuclear fleet and to help build up a supply chain for high-assay low-enriched uranium, critical for the next generation of nuclear reactors.

Why It Matters: The importance of boosting domestic nuclear fuel production cannot be overstated. Russia currently supplies 24% of our uranium enrichment demand and completely monopolizes the global HALEU supply chain. This agreement helps us cut back on that reliance and positions the US to directly challenge Putin's despotic attempts at wielding energy dependency as a weapon against democratic nations.

What We're Doing: The agreement is currently stumbling in the House, as Speaker Mike Johnson signaling he is unlikely to bring the bill to a vote due to a lack of border security initiatives. Our team has launched an ad campaign in DC urging Congress to secure the $2.7 billion in funding and secure American energy independence.

This week, DOE's Office of Fossil Energy and Carbon Management announced $100 million to support small-scale and pilot-level carbon removal technology. This funding will be instrumental in kickstarting a commercially viable carbon removal industry in the US. But to provide long-term stability and attract additional investment, firm financial incentives like tax credits will be essential. Other than Direct Air Capture (DAC), these carbon removal technologies do not qualify for existing tax credits like 45Q.

What We're Doing: There is a pressing need to develop a supportive financial and policy framework for carbon removal technologies. In response, we're developing guidance for a technology-neutral carbon removal tax credit that will help scale up nascent, non-DAC carbon dioxide removal technologies like those covered in the Office of Fossil Energy and Carbon Management's funding opportunity. Additionally, we're continuing our advocacy for enhanced funding for carbon dioxide removal research and development, which over the past three years, has directly contributed to awards that we're seeing emerge from the Department of Energy today.

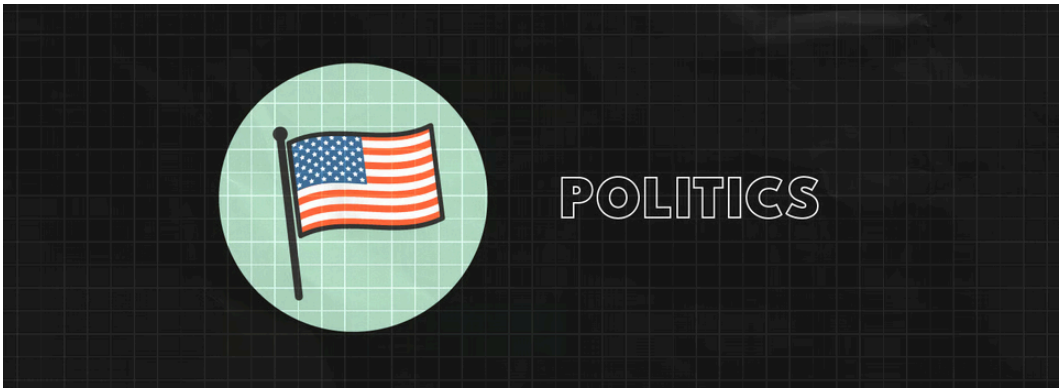


Clean hydrogen could be a game-changer for decarbonization, helping cut emissions in some of the most carbon-intensive areas of our economy like heavy industry, transportation, and power generation. But first, it has to be more affordable and widely accessible. This is where Section 45V of the Inflation Reduction Act steps in.

Producers can earn escalating tax benefits, up to $3/kg, for low-carbon hydrogen produced using clean energy sources. Here's the catch—proposed IRS guidance for 45V dictates that these clean power sources must be built within three years of when that hydrogen production plant went into service.

Why This Matters: The tax credit's narrow 3-year window for clean power generation sidelines existing nuclear plants, most of which have been in operation for decades. While new advanced reactors would certainly qualify, they won't be online before the credit expires in 2033. With global hydrogen demand expected to boom in the next decade, firm, 24/7 power generation will be critical. It makes absolutely no policy, economic, or national security sense to exclude nuclear energy. These plants are ready to meet that demand and produce clean hydrogen in large volumes and at a low cost. But under the current guidance, the US is on track to spike demand with no way of meeting it, letting other producers in Europe, South Korea, and China step in to fill the gap.

What We're Doing: We're providing direct feedback to the Treasury Department on how we think the tax credit should be designed to include nuclear. In addition, we're talking with the Administration and coordinating with our partners in the advocacy and labor communities and in states like Illinois and Michigan to highlight how important it is to make sure nuclear power can give the United States a competitive edge in a global hydrogen market we've valued at $3 trillion.



There is an assumption in the media and among many in climate and clean energy advocacy that talking about climate change this election year will help motivate a

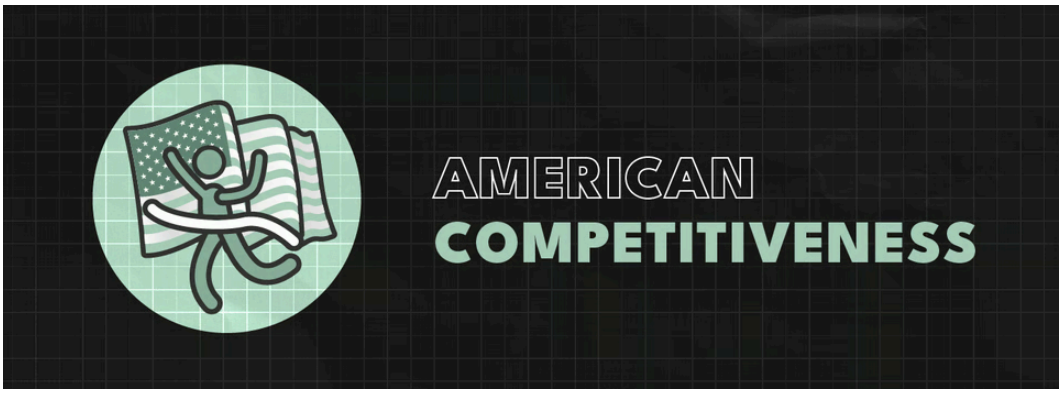
significant percentage of voters, especially those aged 18-34. That's why we're seeing pressure from the Left for the Administration to do and talk even more about climate change.

Our latest polling warns that they are *very* wrong.

In a new poll of 1,000 likely voters we conducted with Impact Research, economic issues, including inflation and the cost of living, were the top concern of a plurality of voters (35%) and *was by far the top issue among young voters*. Climate change ranked as a top concern with just 6% of voters.

While the Biden Administration has taken historic action on clean energy that is helping increase energy independence, increase domestic manufacturing, and reduce energy costs, it's not getting the credit it deserves.

Read our initial polling summary to learn more, and keep an eye on your inbox for more information.



On paper, clean energy industrial strategy is often depicted as straightforward–a private sector-led, public sector-enabled strategy that is laser-focused on key sectors foundational to our economy, national security, and democracy. In reality, executing this is a much bigger challenge.

This was the focus of the conversation between former National Economic Council Director Brian Deese and Dr Ellen Hughes Cromwick, Senior Resident Fellow for Clean Energy Economics at Third Way, this week at the annual National Association of Business Economists Conference. As Brian and Ellen's conversation reminded everyone, successful industrial strategy requires constant close collaboration between government agencies providing some funding and direction, NGOs advocating for change, and businesses and

investors in building, financing, and operating clean energy infrastructure. This is the only way to identify and address the inevitable hurdles that emerge and troubleshoot policies or technologies that don't work in reality as they were designed.

What We're Doing: Third Way is hosting a working group that includes key decision makers from the private sector, investors, organized labor, advocates and academic experts, and government to help address this. We have identified and are helping resolve some of the financing, policy design, regulatory, and communications issues that have arisen as the investments from the Bipartisan Infrastructure Law and Inflation Reduction Act are being turned into clean energy projects.

- Jeanna Smialek and Ana Swanson, in the *New York Times*, highlight the powerful role of the Inflation Reduction Act in mobilizing private investment to the US and ensuring US industries stay competitive with those across Europe.
- Zoë Schlanger, in *The Atlantic,* paints a stark picture of climate and energy policy under a second Trump Administration, highlighting the disastrous impact on our climate goals and leadership on the world stage.
- Rob Meyer and Jessie Jenkins, on *Shift Key,* discuss the details of America's liquified natural gas industry and the implications that an export pause could have on our near-term and long-term emissions reduction goals and global energy security.