THIRD WAY

NEWSLETTER *Published May 16, 2025 • 9 minute read*

On the Grid: Sunset on Clean Energy Tax Credits 05/16/25

Mary Sagatelova*, Senior Advocacy Advisor*

Click HERE to subscribe to this bi-weekly newsletter.

Welcome back to *On the Grid*, Third Way's bi-weekly newsletter, where we'll recap how we're working to deploy every clean energy technology as quickly and affordably as possible. We're excited to have you join us!

Today's edition of On the Grid covers the current House reconciliation bill. We know things are moving quickly, and we're committed to accuracy–we'll keep you updated as the situation evolves.

House Republicans are taking aim at clean energy tax credits created by the Inflation Reduction Act (IRA) in their budget reconciliation plan. What Trump has called the “big, beautiful bill” includes provisions to sunset critical clean energy tax credits and make them basically unusable in the interim. The bill also scraps funding for the Loan Program Office's energy programs, significantly impairing the Department of Energy’s low-cost financing efforts.

The Why: The House GOP argues these rollbacks are necessary to offset the cost of extending Trump-era tax cuts, in addition to being an easy way to invalidate incentives to deploy more clean energy, including nuclear, geothermal, and hydrogen. But there’s simply no solid economic justification for their proposed IRA attacks.

The How: The House bill would both sunset credits and eliminate transferability–a core feature of the IRA that allows developers to sell tax credits to raise capital. It would also impose onerous Foreign Entity of Concern (FEOC) restrictions that would block a huge number of companies from accessing incentives if they relied even at the most minimal level on a Chinese supply chain. We’re as hawkish on China as almost anyone, but this is not about national security or the best interests of American companies; it’s about creating byzantine rules that most companies will not be able to comply with. These additional requirements would make the tax credits essentially useless and bring new clean energy projects to a grinding halt.

The What: Should this bill pass as-is, we’ll start to see changes to the energy sector almost immediately, especially in the nuclear sector (more on that in our next section). Other troubling consequences here include:

- **Higher Costs for Families:** By repealing consumer credits for home energy efficiency upgrades and cost-cutting technologies like rooftop solar and heat pumps, Republicans are stripping away the tools families use to cut their energy bills. These aren’t climate policies–they are cost-saving measures that save families money on their monthly energy bills.

- **More Opportunities…for China:** While China doubles down on clean energy and scales up manufacturing dominance, Republicans are pulling the plug on the policies that are keeping the US competitive. By adding phaseouts and restrictions to key tax credits, including the advanced manufacturing tax credit, the bill creates barriers for American companies while opening the door for China to fill the gap. Projects that would have been built here, by American workers and American companies, will shift overseas.

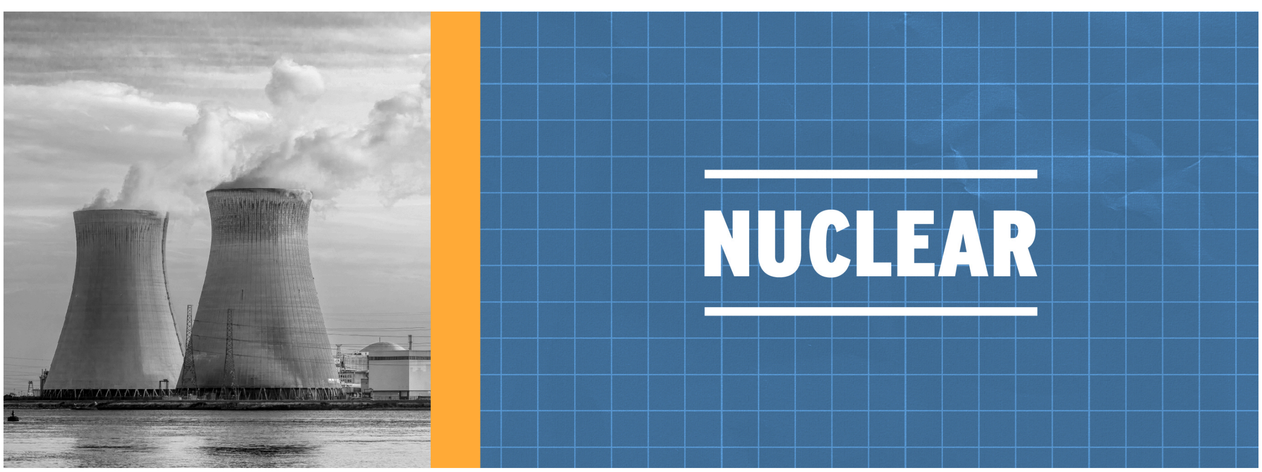
What We're Doing: Both the Ways and Means and Energy and Commerce bills have been voted out of committee, but the debate is far from over. Senate Republicans have made it clear that the package goes too far in its rollbacks of clear energy, and they are demanding changes before they can support it. We support these efforts and are raising the alarm about this plan to dismantle the clean energy investments. We've compiled a series of resources below that break down the real-world impacts of the reconciliation package and the Administration's broader energy agenda:

- An analysis of how Republicans' agenda will drive up electricity costs immediately and in the long term for American families and businesses.

- A breakdown on why tech-neutral tax credits bolster American advanced nuclear and how early sunset dates, elimination of transferability, and tighter restrictions would be damaging to the industry.

- A deep dive into why programs like the Loan Programs Office are essential for clean energy financing.

A series of social media posts that explain what's at stake–retweet if you want to help us spread the word!



While the House Reconciliation bill poses a serious threat to clean energy across the board, its impact on nuclear energy is especially severe and dangerously shortsighted. These changes could kill America's nuclear industry, with disastrous consequences for our energy supply, domestic manufacturing, and transatlantic trade, and, of course, climate progress. Here's how:

- **Accelerating the Phase-Out of Tech-Neutral Tax Credits:** Under the IRA, these credits (45Y and 48E) were expected to be available to nuclear developers, at full value, through at least 2033 or until emissions fall to 25% of 2022 levels. That timeline recognized the long lead times required to site, license, and build nuclear reactors. The House bill ends full credit eligibility in 2029, with a complete cutoff by 2031. And it doesn't just require developers to *start* construction by that date. Projects must be fully built and delivering electricity to the grid to qualify. That's a bar that not even the most ambitious developers will be able to reach in that time frame.

- **Eliminating Transferability:** Transferability allows developers to sell their credits, often to smaller or newer firms with a tax liability, to raise cash for construction, supply chains, and other financing costs. Private tax equity financing, without the assistance of the tax credits, doesn't work well for nuclear developers for a variety of reasons–NRC licensing rules, ownership restrictions, and the complexity of nuclear project structures. Without transferability, most advanced nuclear developers will lose the ability to raise capital–full stop.

- **Adding Foreign Entity of Concern Restrictions:** The GOP bill's newly added restrictions are so vague and sweeping that they are functionally unworkable. The new rules would require nuclear developers to certify that no part of their supply chain–from turbines, transformers, cables, or software–has *any* ownership or control ties to entities in China. We're talking about *any* stock ownership, board membership, debt holdings, or even IP rights to *every single component and subcomponent* in a nuclear power plant. That's not just hard, it's nearly impossible. And without clear Treasury guidance, which will take years to clarify, no legal or financial advisor will go near a deal.

Why This Matters: After more than a decade of bipartisan policymaking, regulatory reform, and private-sector investment, the US is finally on the cusp of scaling advanced nuclear power. Third Way and our bipartisan NGO and Congressional allies have built a solid foundation–securing funding for advanced nuclear fuel while banning Russian imports, securing historic support for the Department of Energy's Loan Programs Office, and crafting the Inflation Reduction Act's tech-neutral tax credits to unlock private capital for first-of-a-kind reactor designs. As written, the Republicans' tax bill reverses that progress and puts America far behind our competitors.

What We're Doing: We've led the fight for US nuclear for more than a decade. We helped shape the policies and secure the funding that made advanced nuclear viable, and we're not backing down now. This isn't just a policy disagreement–it's a full-scale assault on financing nuclear power. If Republicans don't reverse course, this will go down as the moment they walked away from nuclear leadership and handed it to China. Our newest blog makes these consequences clear, and we're working to ensure policymakers, companies, and nuclear allies alike understand the immediate risks the bill poses.

At the same time, we're making the stakes crystal clear, breaking down what this bill would actually do on social media. We're putting the message out there–and if you want to help do the same, give us a retweet!

Carbon dioxide removal (CDR) tools have the potential to create hundreds of good-paying, high-quality jobs and cut emissions across the country. But potential means nothing if developers don't actually build these technologies. And right now, clean energy advocates are asking communities to fully embrace technologies they've never seen, can't picture, and don't fully understand.

To help communities visualize CDR technologies and the benefits they bring to communities, we partnered with Gensler, a global design and architecture firm, to create 10 visual renderings that bring CDR to life. Building on a previous set of 5 renderings of direct air capture technologies, these images show what carbon management can *actually* look like in practice, especially when paired with other clean energy technologies.

Why This Matters: Americans won't support what they can't see. Last year, we brought a group of leaders from key stakeholder groups to visit CDR sites in Canada. Most arrived unfamiliar with the technology–what it looked like, how it worked, or how it impacts communities. By the end of the trip, that changed. Seeing a project up close, speaking directly with developers, and learning about the local benefits made CDR tangible.

If voters have no sense of what CDR technologies look like or what kind of jobs they'll bring to their communities, support will remain shallow. To help build more durable support, we are running an education campaign to help companies and NGO partners show and tell communities and policymakers exactly what CDR is, how it works, and what it looks like.

- Josh Freed, in *WelcomeStack*, pushes back on claims that climate is the key to reaching young voters, especially young Trump voters, noting, "*The solution here isn't to focus resources and energy on elevating climate to the top of young voters' political wishlists. Don't attempt to change their priorities – meet them where they are instead.*"

- Brad Plumer and Harry Stevens, in the *New York Times*, illustrate how much clean energy investment is flowing into communities across the country, how much is still on the table, and what happens if key subsidies in the Inflation Reduction Act are rescinded.

- Rob Meyer and Jesse Jenkins, on *Shift Key*, chat with Luke Bassett, a former senior advisor for domestic climate policy at the US Treasury Department and a former senior staff member at the Senate Committee on Energy and Natural Resources, about the budget reconciliation process and how clean energy funding will be impacted.