To amend the Internal Revenue Code of 1986 to provide investment and production tax credits for emerging energy technologies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

introduced the following bill; which was read twice and referred to the Committee on ________________________

A BILL

To amend the Internal Revenue Code of 1986 to provide investment and production tax credits for emerging energy technologies, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Energy Sector Innovation Credit Act of 2021”.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Promising energy resources with zero or very low market penetration often face significant
incumbency disadvantages as they establish a foothold, including suboptimal resource location relative to existing grid infrastructure and the lack of economies of scale.

(2) Energy sector innovation can confer numerous benefits to jobs and the economy, the environment and climate, and the general social welfare.

(3) Energy sector innovation can come in numerous forms, not all of which are readily quantifiable, including—

(A) diversifying and increasing the Nation’s energy generation portfolio and energy security,

(B) improving the dispatchability and reliability of energy generation, and

(C) improving energy efficiency, emissions reductions, or other markers of performance.

SEC. 3. INVESTMENT CREDIT FOR EMERGING ENERGY TECHNOLOGY.

(a) In General.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 48C the following new section:
“SEC. 48D. EMERGING ENERGY TECHNOLOGY CREDIT.

“(a) Establishment of Credit.—For purposes of section 46, the emerging energy technology credit for any taxable year is an amount equal to the applicable percentage (as determined under subsection (c)) of the basis of any qualified emerging energy property placed in service by the taxpayer during such taxable year.

“(b) Qualified Emerging Energy Property.—

“(1) In general.—The term ‘qualified emerging energy property’ means property which is constructed, reconstructed, erected, or acquired by the taxpayer, and the original use of which commences with the taxpayer, which is—

“(A) a qualified production facility (as defined in section 45U(d)),

“(B) carbon capture equipment, or

“(C) energy storage technology.

“(2) Carbon Capture Equipment.—

“(A) In general.—For purposes of this section, the term ‘carbon capture equipment’ means property which contains equipment that can separate and capture qualified carbon oxide (as defined in section 45Q(c)) and is placed in service at, and used in connection with, a facility—
“(i) which satisfies the requirements under section 45Q(d)(2), and

“(ii) which is—

“(I) an electric generating facility which—

“(aa) was originally placed in service before such property, and

“(bb) is a point source of air pollutants,

“(II) a manufacturing or industrial facility—

“(aa) which was originally placed in service before such property,

“(bb) which is a point source of air pollutants, and

“(cc) for which such property is primarily used to capture qualified carbon oxide (as defined in section 45Q(c)) which would otherwise be released into the atmosphere as a result of—
“(AA) the production of ammonia, helium, or ethanol at such facility, or
“(BB) the processing of natural gas at such facility, or
“(III) a manufacturing or industrial facility described in subclause (II) for which item (cc) of such subclause does not apply.

“(B) DIRECT AIR CAPTURE.—
“(i) IN GENERAL.—For purposes of this section, the term ‘carbon capture equipment’ shall include any direct air capture facility which can capture not less than 10,000 metric tons of qualified carbon oxide (as defined in section 45Q(c)) annually.
“(ii) DIRECT AIR CAPTURE FACILITY.—The term ‘direct air capture facility’ has the same meaning given such term under section 45Q(e)(1) (as in effect on the date of enactment of this section).
“(C) RULES REGARDING CAPTURE OF CARBON OXIDE.—With respect to any qualified car-
bon oxide captured using property described in subparagraph (A) or (B), the taxpayer shall physically or contractually ensure the disposal, utilization, or use of such qualified carbon oxide in a manner consistent with the requirements under section 45Q.

“(3) **ENERGY STORAGE TECHNOLOGY.**—For purposes of this section, the term ‘energy storage technology’ means stationary equipment which—

“(A) is capable of absorbing energy, storing energy for a period of time, and dispatching the stored energy using batteries, compressed air, pumped hydropower, thermal energy storage, liquid air, regenerative fuel cells, flywheels, capacitors, superconducting magnets, stacked objects, or other technologies identified by the Secretary, in consultation with the Secretary of Energy, and

“(B) has a capacity of not less than 1 megawatt.

“(4) **APPLICATION WITH OTHER CREDITS.**—

“(A) **IN GENERAL.**—The term ‘qualified emerging energy property’ shall not include any property for which, for the taxable year or any prior taxable year—
“(i) electricity produced from such property is taken into account for purposes of the credit allowed under section 45, 45J, or 45U,

“(ii) qualified carbon oxide captured by such property is taken into account for purposes of the credit allowed under section 45Q,

“(iii) the basis of such property is taken into account for purposes of the credit allowed under section 48, 48A, 48B, or 48C, or

“(iv) hydrogen produced from such property is taken into account for purposes of the credit allowed under section 45V.

“(B) Denial of Double Benefit.—With respect to any section described in clause (i), (ii), (iii), or (iv) of subparagraph (A), no credit shall be allowed under such section for any taxable year with respect to any property for which a credit is allowed under this section for such taxable year or any prior taxable year.

“(C) Additional Rule.—Subparagraphs (A)(ii) and (B) shall not apply for purposes of the credit allowed under this section or section
45Q with respect to any qualified carbon oxide captured using property described in paragraph (2)(A) if such carbon oxide is disposed of in a manner consistent with section 45Q(a)(3)(B).

“(c) Applicable Percentages.—

“(1) Qualified production facilities.—In the case of any qualified production facility which satisfies the requirements for—

“(A) a tier 1 facility (as described in clause (i) of section 45U(b)(2)(A)), the applicable percentage shall be 40 percent,

“(B) a tier 2 facility (as described in clause (ii) of such section), the applicable percentage shall be 30 percent,

“(C) a tier 3 facility (as described in clause (iii) of such section), the applicable percentage shall be 20 percent, and

“(D) a tier 4 facility (as described in clause (iv) of such section), the applicable percentage shall be 10 percent.

“(2) Carbon capture equipment.—

“(A) In general.—With respect to carbon capture equipment, the applicable percentage shall be—
“(i) in the case of tier 1 equipment, 40 percent,
“(ii) in the case of tier 2 equipment, 30 percent,
“(iii) in the case of tier 3 equipment, 20 percent,
“(iv) in the case of tier 4 equipment, 10 percent, and
“(v) in the case of any other such equipment, zero percent.

“(B) Equipment tiers.—
“(i) In general.—For purposes of this paragraph—
“(I) Tier 1 equipment.—The term ‘tier 1 equipment’ means any carbon capture equipment placed in service during the taxable year if the market penetration level for the calendar year preceding the calendar year in which such taxable year began is less than 0.5 percent.
“(II) Tier 2 equipment.—The term ‘tier 2 equipment’ has the same meaning given the term ‘tier 1 equipment’ under subclause (I), except that
‘at least 0.5 percent but less than 1 percent’ shall be substituted for ‘less than 0.5 percent’.

“(III) TIER 3 EQUIPMENT.—The term ‘tier 3 equipment’ has the same meaning given the term ‘tier 1 equipment’ under subclause (I), except that ‘at least 1 percent but less than 1.5 percent’ shall be substituted for ‘less than 0.5 percent’.

“(IV) TIER 4 EQUIPMENT.—The term ‘tier 4 equipment’ has the same meaning given the term ‘tier 1 equipment’ under subclause (I), except that ‘at least 1.5 percent but less than 2 percent’ shall be substituted for ‘less than 0.5 percent’.

“(ii) MARKET PENETRATION LEVEL.—For purposes of this subparagraph, the term ‘market penetration level’ means, with respect to any calendar year, the amount equal to the greater of—

“(I) the amount (expressed as a percentage) equal to the quotient of—
“(aa) the total amount (expressed in metric tons) of carbon oxide captured and disposed of, used, or utilized in a manner consistent with the requirements under section 45Q by carbon capture equipment within the United States during such calendar year (as determined by the Secretary on the basis of data reported by the Environmental Protection Agency), divided by

“(bb) the total amount of greenhouse gas emissions in the United States (expressed in metric tons of CO2-e) during such year, or

“(II) the amount determined under this clause for the preceding calendar year.

“(iii) INITIAL APPLICATION.—For purposes of the first calendar year beginning after the date of enactment of this section, the amount under clause (ii)(II) shall be deemed to be zero.
“(C) Division of equipment for purposes of determining tier.—For purposes of determining the applicable tier for any carbon capture equipment under subparagraph (B), such subparagraph shall be applied separately (and the total amount of carbon oxide captured by such equipment shall be determined separately) with respect to—

“(i) any such equipment described in subclause (I) of subsection (b)(2)(A)(ii),

“(ii) any such equipment described in subclause (II) of such subsection,

“(iii) any such equipment described in subclause (III) of such subsection, and

“(iv) any such equipment described in subparagraph (B) of subsection (b)(2).

“(D) Determination of tier.—For purposes of this paragraph, the determination as to whether any carbon capture equipment qualifies as a tier 1, 2, 3, or 4 equipment shall be made during the year in which construction of such equipment begins (as determined under rules similar to the rules in section 45U(e)).

“(E) Reporting.—The Secretary shall, as part of the report described in section
45U(b)(2)(E)(i), publish the applicable tier for
any carbon capture equipment (as determined
separately for such equipment pursuant to sub-
paragraph (C)).

“(3) ENERGY STORAGE TECHNOLOGY.—

“(A) IN GENERAL.—With respect to en-
ergery storage technology, the applicable percent-
age shall be—

“(i) in the case of tier 1 technology,

40 percent,

“(ii) in the case of tier 2 technology,

30 percent,

“(iii) in the case of tier 3 technology,

20 percent,

“(iv) in the case of tier 4 technology,

10 percent, and

“(v) in the case of any other such
technology, zero percent.

“(B) TECHNOLOGY TIERS.—

“(i) IN GENERAL.—For purposes of
this paragraph—

“(I) TIER 1 TECHNOLOGY.—The
term ‘tier 1 technology’ means any en-
ergery storage technology placed in
service during the taxable year if the
market penetration level for the calendar year preceding the calendar year in which such taxable year began is less than 0.5 percent.

“(II) TIER 2 TECHNOLOGY.—The term ‘tier 2 technology’ has the same meaning given the term ‘tier 1 technology’ under subclause (I), except that ‘at least 0.5 percent but less than 1 percent’ shall be substituted for ‘less than 0.5 percent’.

“(III) TIER 3 TECHNOLOGY.—The term ‘tier 3 technology’ has the same meaning given the term ‘tier 1 technology’ under subclause (I), except that ‘at least 1 percent but less than 1.5 percent’ shall be substituted for ‘less than 0.5 percent’.

“(IV) TIER 4 TECHNOLOGY.—The term ‘tier 4 technology’ has the same meaning given the term ‘tier 1 technology’ under subclause (I), except that ‘at least 1.5 percent but less than 2 percent’ shall be substituted for ‘less than 0.5 percent’.
“(ii) Market penetration level.—For purposes of this subparagraph, the term ‘market penetration level’ means, with respect to any calendar year, the amount equal to the greater of—

“(I) the amount (expressed as a percentage) equal to the quotient of—

“(aa) the total nameplate capacity (expressed in megawatts) of energy storage technology in operation within the United States at the beginning of such calendar year (as determined by the Secretary on the basis of data reported by the Energy Information Administration), divided by

“(bb) the total domestic electricity production nameplate capacity (expressed in megawatts) at the close of such year, or

“(II) the amount determined under this clause for the preceding calendar year.
“(iii) Initial Application.—For purposes of the first calendar year beginning after the date of enactment of this section, the amount under clause (ii)(II) shall be deemed to be zero.

“(C) Division of Technology for Purposes of Determining Tier.—

“(i) In general.—For purposes of determining the applicable tier for any energy storage technology under subparagraph (B), such subparagraph shall be applied separately (and the total capacity of such technology shall be determined separately) with respect to—

“(I) any such technology which is lithium-ion based,

“(II) any such technology which uses pumped hydropower,

“(III) any such technology which—

“(aa) is not described in subclause (I) or (II), and

“(bb) is classified as short-duration storage under clause (ii), and
“(IV) any such technology which—

“(aa) is not described in subclause (I) or (II), and

“(bb) is classified as long-duration storage under clause (ii).

“(ii) CLASSIFICATION.—The Secretary of Energy (in consultation with the Secretary) shall issue such regulations or other guidance as the Secretary of Energy determines necessary or appropriate to define the terms ‘short-duration storage’ and ‘long-duration storage’ for purposes of classifying energy storage technology under clause (i).

“(D) DETERMINATION OF TIER.—For purposes of this paragraph, the determination as to whether any energy storage technology qualifies as a tier 1, 2, 3, or 4 technology shall be made during the year in which construction of such technology begins (as determined under rules similar to the rules in section 45U(e)).

“(E) REPORTING.—The Secretary shall, as part of the report described in section
45U(b)(2)(E)(i), publish the applicable tier for any energy storage technology (as determined separately for such technology pursuant to subparagraph (C)).

“(d) Special Rules.—

“(1) Certain qualified progress expenditure rules made applicable.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this section.

“(2) Transfer of credit.—

“(A) In general.—If, with respect to a credit allowed under subsection (a) for any taxable year, the taxpayer elects the application of this paragraph for such taxable year with respect to all (or any portion specified in such election) of such credit, the eligible project partner specified in such election, and not the taxpayer, shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).

“(B) Eligible project partner.—

“(i) In general.—For purposes of this paragraph, the term ‘eligible project
partner’ means, with respect to any qualified emerging energy property, any person who—

“(I) has an ownership interest in such property,

“(II) provided equipment for or services in the construction of such property,

“(III) provides electric transmission or distribution services for such property,

“(IV) purchases electricity from such property pursuant to a contract, or

“(V) provides financing for such property.

“(ii) Financing.—For purposes of clause (i)(V), any amount paid as consideration for a transfer described in subparagraph (A) shall not be treated as financing for qualified emerging energy property.

“(C) Deduction for Payments in Connection with Transfer.—A deduction under part VI of subchapter B shall be allowed in an amount equal to the amount paid by the tax-
payer as consideration for a transfer described in subparagraph (A).

“(D) TAXABLE YEAR IN WHICH CREDIT TAKEN INTO ACCOUNT.—In the case of any credit (or portion thereof) with respect to which an election is made under subparagraph (A), such credit shall be taken into account in the first taxable year of the eligible project partner ending with, or after, the electing taxpayer’s taxable year with respect to which the credit was determined.

“(E) LIMITATIONS ON ELECTION.—

“(i) TIME FOR ELECTION.—An election under this paragraph to transfer any portion of the credit allowed under subsection (a) shall be made not later than the due date for the return of tax for the electing taxpayer’s taxable year with respect to which the credit was determined.

“(ii) NO FURTHER TRANSFERS.—No election may be made under this paragraph by a taxpayer with respect to any portion of the credit allowed under subsection (a) which has been previously transferred to such taxpayer under this paragraph.
“(F) Treatment of transfer under private use rules.—For purposes of section 141(b)(1), any benefit derived by an eligible project partner in connection with an election under this paragraph shall not be taken into account as a private business use.

“(G) Special rules for public property.—

“(i) In general.—If, with respect to a credit under subsection (a) for any taxable year—

“(I) a qualified public entity would be the taxpayer (but for this subparagraph), and

“(II) such entity elects the application of subparagraph (A) for such taxable year with respect to all (or any portion specified in such election) of such credit,

the eligible project partner specified in such election, and not the qualified public entity, shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).
“(ii) QUALIFIED PUBLIC ENTITY.—

For purposes of this subparagraph, the term ‘qualified public entity’ means—

“(I) any State or local government, or a political subdivision thereof, or

“(II) an Indian tribal government.

“(II) PROPERTY USED BY CERTAIN TAX-EXEMPT ORGANIZATIONS AND GOVERNMENTAL UNITS.—In the case of a taxpayer making an election under this paragraph, the credit subject to such an election shall be determined notwithstanding—

“(i) section 50(b)(3), and

“(ii) in the case of any entity described in section 50(b)(4)(A)(i), section 50(b)(4).

“(I) ADDITIONAL ELECTION REQUIREMENTS.—The Secretary may prescribe such regulations as may be appropriate to carry out the purposes of this paragraph, including—

“(i) rules for determining which persons are eligible project partners with re-
spect to any qualified emerging energy
property, and

“(ii) requiring information to be in-
cluded in an election under subparagraph
(A) or imposing additional reporting re-
quirements.

“(e) REGULATIONS.—The Secretary (in consultation
with the Secretary of Energy and the Administrator of
the Environmental Protection Agency) shall issue such
regulations or other guidance as the Secretary determines
necessary or appropriate to carry out the purposes of this
section, including rules for reporting—

“(1) for purposes of paragraph (2)(B)(ii) of
subsection (e), the amount of carbon oxide captured
by carbon capture equipment, and

“(2) for purposes of paragraph (3)(B)(ii) of
such subsection, the capacity of energy storage tech-
nology.”.

(b) SPECIAL RULE FOR PROCEEDS OF TRANSFERS
FOR MUTUAL OR COOPERATIVE ELECTRIC COMPANIES.—
Section 501(c)(12)(I) of such Code is amended by insert-
ing “or 48D(d)(2)” after “section 45J(e)(1)”.

(e) CONFORMING AMENDMENTS.—

(1) Section 46 of such Code is amended by strik-

ing the period at the end of paragraph (6) and in-
serting “, and”, and by adding at the end the fol-
lowing new paragraph:

“(7) the emerging energy technology credit.”.

(2) Section 49(a)(1)(C) of such Code is amend-
ed by striking “and” at the end of clause (iv), by
striking the period at the end of clause (v) and in-
serting “, and”, and by adding at the end the fol-
lowing new clause:

“(vi) the basis of any qualified emerg-
ing energy property (as defined in section
48D(b)(1)).”.

(3) The table of sections for subpart E of part
IV of subchapter A of chapter 1 of such Code is
amended by inserting after the item relating to sec-
tion 48C the following new item:

“Sec. 48D. Emerging energy technology credit.”.

(d) Effective Date.—The amendments made by
this section shall apply to property placed in service in
taxable years beginning after the date of the enactment
of this Act, under rules similar to the rules of section
48(m) of the Internal Revenue Code of 1986 (as in effect
on the day before the date of the enactment of the Rev-
ue Reconciliation Act of 1990).
SEC. 4. PRODUCTION CREDIT FOR EMERGING ENERGY TECHNOLOGY.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 45U. ELECTRICITY PRODUCED FROM EMERGING ENERGY TECHNOLOGY.

“(a) General Rule.—For purposes of section 38, the emerging energy technology production credit determined under this section for any taxable year beginning in the credit period with respect to a qualified production facility of the taxpayer is an amount equal to the applicable percentage of the lesser of—

“(1) the annual gross receipts of the taxpayer from the sale of electricity generated at the qualified production facility to an unrelated person (within the meaning of section 45(e)(4)) during such taxable year, or

“(2) the product of—

“(A) 150 percent of the national average wholesale price of a kilowatt hour of electricity in the calendar year preceding the calendar year in which such taxable year begins, as determined by the Secretary in consultation with the Secretary of Energy, multiplied by
“(B) the number of kilowatt hours of electricity produced at the qualified production facility and sold to an unrelated person (within the meaning of section 45(e)(4)) during such taxable year.

“(b) Applicable Percentage.—

“(1) In general.—For purposes of subsection (a), the applicable percentage is—

“(A) in the case of a tier 1 facility, 60 percent,

“(B) in the case of a tier 2 facility, 45 percent,

“(C) in the case of a tier 3 facility, 30 percent,

“(D) in the case of a tier 4 facility, 15 percent, and

“(E) in the case of any other facility, zero percent.

“(2) Facility tiers.—

“(A) In general.—For purposes of this section—

“(i) Tier 1 facility.—The term ‘tier 1 facility’ means any qualified production facility which generates electricity from an individual energy production technology—
“(I) described in subsection (d)(2)(A), and

“(II) for which the market penetration level for the calendar year preceding the calendar year in which the taxable year begins is less than 0.5 percent.

“(ii) TIER 2 FACILITY.—The term ‘tier 2 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 0.5 percent but less than 1 percent’ shall be substituted for ‘less than 0.5 percent’.

“(iii) TIER 3 FACILITY.—The term ‘tier 3 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 1 percent but less than 1.5 percent’ shall be substituted for ‘less than 0.5 percent’.

“(iv) TIER 4 FACILITY.—The term ‘tier 4 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 1.5 percent but less than 2 percent’ shall be substituted for ‘less than 0.5 percent’.
“(B) Market penetration level.—For purposes of this paragraph, the term ‘market penetration level’ means, with respect to any calendar year, the amount equal to the greater of—

“(i) the amount (expressed as a percentage) equal to the quotient of—

“(I) the sum of all electricity produced (expressed in terawatt hours) from the individual energy production technology by all qualified production facilities (as defined in subsection (d)(1), except that subparagraph (D) of such subsection shall not apply) during such calendar year (as determined by the Secretary on the basis of data reported by the Energy Information Administration), divided by

“(II) the total domestic power sector electricity production (expressed in terawatt hours) for such calendar year, or

“(ii) the amount determined under this subparagraph for the preceding calendar year.
“(C) INITIAL APPLICATION.—For purposes of the first calendar year beginning after the date of enactment of this section, the amount under subparagraph (B)(ii) shall be deemed to be zero.

“(D) CONSTRUCTION BEGINS.—For purposes of this subsection and section 48D, the determination as to whether a facility qualifies as a tier 1, 2, 3, or 4 facility shall be—

“(i) made during the year in which construction of such facility begins, and

“(ii) contingent on the taxpayer maintaining a continuous program of construction or continuous efforts to advance towards completion of the facility.

“(E) GUIDANCE AND REPORTS.—

“(i) REPORTS.—Not later than 1 year after the date of enactment of this section, and not later than January 31 of each subsequent year, the Secretary of Energy (in consultation with the Secretary) shall publish a report with respect to the applicable tier for each individual energy production technology described in subsection (d)(2)(A) which has been used to generate
electricity by any qualified production facility (as defined in subsection (d)(1), except that subparagraph (D) of such subsection shall not apply).

“(ii) Classification of Energy Production Technology.—The Secretary of Energy (in consultation with the Secretary) shall issue such regulations or other guidance (as well as any subsequent updates to such regulations or guidance) as the Secretary of Energy determines necessary or appropriate to ensure that any qualified production facility or technology used for the production of electricity is classified within a single energy production technology for purposes of subsection (d)(2). In the case of any technology used for the production of electricity which may be classified within 2 or more different categories of energy production technology under such subsection, the Secretary of Energy shall make the determination as to the correct category with respect to such technology as rapidly as possible, with such
determinations to be included in any report described in clause (i).

“(c) Credit Period.—For purposes of this section, the credit period with respect to any qualified production facility is the 10-year period beginning with the date the facility was originally placed in service.

“(d) Qualified Production Facility.—

“(1) In general.—For purposes of this section, the term ‘qualified production facility’ means any electric generating facility—

“(A) which is located in the United States or a possession of the United States (as such terms are used in section 638),

“(B) which generates electricity using energy production technology,

“(C) which produces such electricity with an emissions rate less than 100g CO2-e per kWh, and

“(D) the construction of which begins after the date of enactment of this section.

“(2) Energy Production Technology.—

“(A) In general.—For purposes of paragraph (1), each of the following shall be treated as an individual energy production technology:

“(i) Traditional nuclear fission.
“(ii) Light water reactor-based advanced nuclear fission.

“(iii) Non-light water reactor-based advanced nuclear fission.

“(iv) Nuclear fusion.

“(v) Concentrating solar thermal power.

“(vi) Silicon photovoltaic.

“(vii) Cadmium telluride and copper indium gallium selenide solar.

“(viii) Emerging photovoltaics.

“(ix) Enhanced geothermal.

“(x) Hydrothermal.

“(xi) Marine energy.

“(xii) Fixed bottom offshore wind.

“(xiii) Floating offshore wind.

“(xiv) Traditional onshore wind.

“(xv) New onshore wind.

“(xvi) Coal.

“(xvii) Natural gas.

“(xviii) Petroleum.

“(xix) Open-loop biomass.

“(xx) Closed-loop biomass.

“(xxi) Hydropower.

“(B) Additional specifications.—
“(i) Nuclear fission.—

“(I) Traditional nuclear fission.—For purposes of clause (i) of subparagraph (A), the term ‘traditional nuclear fission’ means any nuclear fission which is not described in subclause (II) or (III).

“(II) Light water reactor-based advanced nuclear fission.—For purposes of clause (ii) of such subparagraph, the term ‘light water reactor-based advanced nuclear fission’ shall include small modular light water reactors.

“(III) Non-light water reactor-based advanced nuclear fission.—For purposes of clause (iii) of such subparagraph, the term ‘non-light water reactor-based advanced nuclear fission’ means any advanced nuclear fission which is not included under clause (ii) of such subparagraph.

“(ii) Nuclear fusion.—For purposes of clause (iv) of subparagraph (A),
only nuclear fusion for which net power is produced from the fusion reaction shall be included.

“(iii) Emerging photovoltaics.—For purposes of clause (viii) of such subparagraph, the term ‘emerging photovoltaics’ includes perovskite-based and perovskite-enhanced solar, quantum dots, organic photovoltaics, multi-junction tandem devices, and any photovoltaic solar technology not included under clause (vii) of such subparagraph.

“(iv) Marine energy.—For purposes of clause (xi) of such subparagraph, the term ‘marine energy’ has the same meaning given such term under section 632 of the Energy Independence and Security Act of 2007 (42 U.S.C. 17211).

“(v) Traditional onshore wind.—For purposes of clause (xiv) of subparagraph (A), the term ‘traditional onshore wind’ means any energy production technology of a design which is the same as or substantially similar to wind technology that has achieved megawatt scale or larger
deployment in the United States as of the
date of enactment of this section.

“(vi) New onshore wind.—For purposes of clause (xv) of such subparagraph, the term ‘new onshore wind’ means any energy production technology which is not included in clause (xiv) of such subparagraph.

“(vii) Open-loop biomass.—For purposes of clause (xix) of such subparagraph, the term ‘open-loop biomass’ has the same meaning given such term under section 45(c)(3).

“(viii) Closed-loop biomass.—For purposes of clause (xx) of such subparagraph, the term ‘closed-loop biomass’ has the same meaning given such term under section 45(c)(2).

“(3) Emissions rate.—

“(A) Exclusions.—For purposes of paragraph (1)(C), the emissions rate shall not include—

“(i) any emissions which are captured using carbon capture equipment, provided that any carbon oxide captured using such
equipment is disposed of, used, or utilized
in a manner consistent with the require-
ments under section 45Q, or

“(ii) in the case of electricity gen-
erated from any fossil fuel, any upstream
or fugitive emissions, such as emissions re-
lated to the extraction, transportation,
storage of such fuel.

“(B) LIFECYCLE ANALYSIS.—For purposes
of paragraph (1)(C), in the case of any facility
which generates electricity through combustion
of a non-fossil fuel, the emissions rate shall be
determined based on a lifecycle analysis.

“(4) APPLICATION WITH OTHER CREDITS.—

“(A) IN GENERAL.—The term ‘qualified
production facility’ shall not include any prop-
erty for which, for the taxable year or any prior
taxable year—

“(i) electricity produced from such
property is taken into account for purposes
of the credit allowed under section 45 or
45J,

“(ii) qualified carbon oxide captured
by such property is taken into account for
purposes of the credit allowed under section 45Q,

“(iii) the basis of such property is taken into account for purposes of the credit allowed under section 48, 48A, 48B, 48C, or 48D, or

“(iv) hydrogen produced from such property is taken into account for purposes of the credit allowed under section 45V.

“(B) Denial of double benefit.—With respect to any section described in clause (i), (ii), (iii), or (iv) of subparagraph (A), no credit shall be allowed under such section for any taxable year with respect to any property for which a credit is allowed under this section for such taxable year or any prior taxable year.

“(5) CO2-e.—In this section, the term ‘CO2-e’ means the quantity of a greenhouse gas that has a global warming potential equivalent to 1 metric ton of carbon dioxide, as determined under table A–1 of subpart A of part 98 of title 40, Code of Federal Regulations, as in effect on the date of enactment of this section.
“(e) Determination of When Construction Begins; Continuous Program of Construction or Continuity of Effort.—

“(1) In general.—For purposes of this section, construction of a facility begins when—

“(A) physical work of a significant nature begins, or

“(B) during the year in which the taxpayer begins physical work, a facility has invested not less than—

“(i) 2 percent of construction costs, or

“(ii) $50,000,000.

“(2) Work performed.—For purposes of paragraph (1), any work performed—

“(A) by the taxpayer, or

“(B) for the taxpayer by other persons under a binding written contract which is entered into prior to the manufacture, construction, or production of the property for use by the taxpayer in the taxpayer’s trade or business (or for the taxpayer’s production of income),

shall be taken into account in determining whether construction has begun.

“(3) Continuous program of construction.—For purposes of this section, the term ‘con-
continuous program of construction’ means continuing physical work of a significant nature, as determined by the Secretary based upon relevant facts and circumstances.

“(4) CONTINUOUS EFFORTS.—For purposes of this section, the term ‘continuous efforts’ means making continuous efforts towards completion of the facility, as determined by the Secretary based upon relevant facts and circumstances.

“(f) TRANSFER OF CREDIT.—Rules similar to the rules of subsection (d)(2) of section 48D shall apply for purposes of this section.

“(g) REGULATIONS.—Not later than 18 months after the date of the enactment of this section, the Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking “plus” at the end of paragraph (32), by striking the period at the end of paragraph (33) and inserting “, plus”, and by adding at the end the following new paragraph:

“(34) the emerging energy technology production credit determined under section 45U(a).”.
(c) Special Rule for Proceeds of Transfers for Mutual or Cooperative Electric Companies.—

Section 501(c)(12)(I) of such Code, as amended by section 3(b), is amended by striking “or 48D(d)(2)” and inserting “, 45U(f), or 48D(d)(2)”.

(d) Clerical Amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“Sec. 45U. Electricity produced from emerging energy technology.”.

(e) Effective Date.—The amendments made by this section shall apply to electricity produced and sold in taxable years beginning after the date of the enactment of this Act, at facilities the construction of which begins after the date of enactment of this section.

SEC. 5. CLEAN HYDROGEN PRODUCTION CREDIT.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, as amended by section 4, is amended by adding at the end the following new section:

“SEC. 45V. CLEAN HYDROGEN PRODUCTION.

“(a) General Rule.—

“(1) Amount of Credit.—For purposes of section 38, the clean hydrogen production credit determined under this section for any taxable year beginning in the credit period with respect to a qual-
fied hydrogen production facility of the taxpayer is
an amount equal to the product of—

“(A) the applicable percentage of the na-
tional average wholesale price of a kilogram of
hydrogen in the calendar year preceding the
calendar year in which such taxable year be-
gins, as determined by the Secretary in con-
sultation with the Secretary of Energy, and

“(B) subject to paragraph (2), the amount
of clean hydrogen produced at the qualified hy-
drogen production facility and sold to an unre-
lated person (within the meaning of section
45(e)(4)) during such taxable year.

“(2) INCREASE FOR ZERO-EMISSIONS HYDRO-
GEN.—In the case of any clean hydrogen described
in subsection (d)(1)(A)(ii), the amount determined
under paragraph (1)(B) with respect to such clean
hydrogen shall be equal to twice the amount other-
wise determined under such paragraph.

“(b) APPLICABLE PERCENTAGE.—

“(1) IN GENERAL.—For purposes of subsection
(a)(1)(A), the applicable percentage is—

“(A) in the case of a tier 1 facility, 60 per-
cent,
“(B) in the case of a tier 2 facility, 45 percent

“(C) in the case of a tier 3 facility, 30 percent,

“(D) in the case of a tier 4 facility, 15 percent, and

“(E) in the case of any other facility, zero percent.

“(2) FACILITY TIERS.—

“(A) IN GENERAL.—For purposes of this subsection—

“(i) TIER 1 FACILITY.—The term ‘tier 1 facility’ means any qualified hydrogen production facility which produces clean hydrogen from a qualified production method for which the market penetration level for the calendar year preceding the calendar year in which the taxable year begins is less than 0.5 percent.

“(ii) TIER 2 FACILITY.—The term ‘tier 2 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 0.5 percent but less than 1 percent’ shall be substituted for ‘less than 0.5 percent’.
“(iii) Tier 3 Facility.—The term ‘tier 3 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 1 percent but less than 1.5 percent’ shall be substituted for ‘less than 0.5 percent’.

“(iv) Tier 4 Facility.—The term ‘tier 4 facility’ has the same meaning given the term ‘tier 1 facility’ under clause (i), except that ‘at least 1.5 percent but less than 2 percent’ shall be substituted for ‘less than 0.5 percent’.

“(B) Market Penetration Level.—For purposes of this paragraph, the term ‘market penetration level’ means, with respect to any calendar year, the amount equal to the greater of—

“(i) the amount (expressed as a percentage) equal to the quotient of—

“(I) subject to subsection (d)(1)(C), the total energy content (expressed in megawatt hours) of all clean hydrogen produced using the qualified production method by all qualified hydrogen production facili-
ties (as defined in subsection (d)(2)(A), except that clause (iii) of such subsection shall not apply) during such calendar year (as determined by the Secretary on the basis of data reported by the Energy Information Administration), divided by

“(II) the total domestic power sector electricity production (expressed in megawatt hours) for such calendar year, or

“(ii) the amount determined under this subparagraph for the preceding calendar year

“(C) INITIAL APPLICATION.—For purposes of the first calendar year beginning after the date of enactment of this section, the amount under subparagraph (B)(ii) shall be deemed to be zero.

“(D) DIVISION OF PRODUCTION METHODS FOR PURPOSES OF DETERMINING TIER.—For purposes of determining the applicable tier for any qualified production method under subparagraph (B), such subparagraph shall be applied separately with respect to—
“(i) any such method described in subparagraph (A) of subsection (d)(3), and
“(ii) any such method described in subparagraph (B) of such subsection.
“(E) CONSTRUCTION BEGINS.—For purposes of this subsection, the determination as to whether a facility qualifies as a tier 1, 2, 3, or 4 facility shall be—
“(i) made during the year in which construction or modification of such facility begins, and
“(ii) contingent on the taxpayer maintaining a continuous program of construction or continuous efforts to advance towards completion of the facility.
“(F) REPORTS.—Not later than 1 year after the date of enactment of this section, and not later than January 31 of each subsequent year, the Secretary shall publish a report with respect to the applicable tier for each qualified production method which has been used to produce clean hydrogen by any qualified hydrogen production facility (as defined in subsection (d)(2)(A), except that clause (iii) of such subsection shall not apply).
“(c) CREDIT PERIOD.—For purposes of this section, the credit period with respect to any qualified hydrogen production facility is—

“(1) in the case of a facility described in subclause (I) of subsection (d)(2)(A)(iii), the 10-year period beginning with the date the facility was originally placed in service, or

“(2) in the case of a facility described in subclause (II) of such subsection, the 10-year period beginning with the date that the property required to modify such facility is placed in service.

“(d) DEFINITIONS.—In this section—

“(1) CLEAN HYDROGEN.—

“(A) IN GENERAL.—The term ‘clean hydrogen’ means hydrogen which, as determined based on a lifecycle analysis, is produced through a qualified production method for which the rate of the greenhouse gas emissions—

“(i) is greater than zero and not greater than 2,000g CO2-e (as defined in section 45U(d)(5)) per kilogram of hydrogen produced, or

“(ii) is equal to or less than zero.

“(B) SPECIAL RULES.—
“(i) EMISSIONS FROM GENERATION

OF ELECTRICITY.—In the case of any hy-
drogen produced from a qualified produc-
tion method described in paragraph
(3)(A)—

“(I) if such method uses elec-
tricity generated from a renewable en-
ergy resource (as defined in section
403 of the Renewable Energy Re-
ources Act of 1980 (42 U.S.C.
7372)) or nuclear power, such hydro-
gen shall be deemed to be clean hy-
drogen described in subparagraph
(A)(ii), or

“(II) if such method uses elec-
tricity generated from a source that
emits greenhouse gases during pro-
duction, any such emissions which are
released into the atmosphere during
such production shall be included for
purposes of determining the rate of
the greenhouse gas emissions under
 subparagraph (A).
“(ii) NON-ELECTROLYSIS OR USE OF Fossil Fuels.—In the case of any hydrogen produced—

“(I) through the use of fossil fuels or through the use of electricity which is generated through combustion of a fossil fuel, or

“(II) using a method described in paragraph (3)(B),

subparagraph (A) shall be applied with respect to such hydrogen on the basis of a lifecycle analysis.

“(iii) Exclusion of Hydrogen Emissions.—For purposes of subparagraph (A), with respect to hydrogen produced through a qualified production method, any such hydrogen which is released into the atmosphere during such production shall not be included for purposes of determining the rate of the greenhouse gas emissions under such subparagraph.

“(iv) Carbon Capture.—For purposes of determining the rate of the greenhouse gas emissions under subparagraph (A), such subparagraph shall not apply
with respect to any qualified carbon oxide (as defined in section 45Q(c)) captured using carbon capture equipment if such carbon oxide is disposed of, used, or utilized in a manner consistent with the requirements under section 45Q.

“(v) UPSTREAM AND DOWNSTREAM EMISSIONS.—

“(I) IN GENERAL.—In the case of hydrogen produced using a qualified production method described in clause (ii), for purposes of the application of subparagraph (A) based on a lifecycle analysis with respect to such method, such subparagraph shall not apply with respect to—

“(aa) any upstream emissions, and

“(bb) any downstream emissions related to the use or transport of hydrogen subsequent to production.

“(II) HIGH-TEMPERATURE ELECTROLYSIS.—For purposes of determining the rate of the greenhouse gas
emissions under subparagraph (A) with respect to hydrogen produced using high-temperature electrolysis, such subparagraph shall apply with respect to any direct emissions resulting from the fuel source used to create heat to which clause (iv) does not apply.

“(III) **Upstream emissions.**—For purposes of this clause, the term ‘upstream emissions’ means the quantity of greenhouse gases, expressed in metric tons of CO2-e, emitted to the atmosphere resulting from, nonexclusively, the extraction, processing, transportation, financing, or other preparation of hydrogen for use.

“(C) **Energy content.**—For purposes of subsection (b)(2)(B)(i)(I), the energy content of 1 kilogram of clean hydrogen shall be deemed to be equal to 33.6 kilowatt hours of energy.

“(2) **Qualified hydrogen production facility.**—
“(A) IN GENERAL.—The term ‘qualified hydrogen production facility’ means any facility—

“(i) which is located in the United States or a possession of the United States (as such terms are used in section 638),

“(ii) which produces clean hydrogen using a qualified production method, and

“(iii)(I) the construction of which begins after the date of enactment of this section, or

“(II) which—

“(aa) was originally placed in service before the date of enactment of this section and, prior to the modification described in item (bb), did not produce clean hydrogen, and

“(bb) after the date of enactment of this section, is modified to produce clean hydrogen, including—

“(AA) modification of a facility which, prior to such modification, produced hydrogen which did not satisfy the require-
ments under paragraph (1)(A), or

“(BB) for purposes of paragraph (1)(B)(iv), installation of carbon capture equipment.

“(B) Application with other credits.—

“(i) In general.—With respect to any taxable year, the term ‘qualified hydrogen production facility’ shall not include—

“(I) any facility which—

“(aa) produces electricity—

“(AA) which is taken into account for purposes of the credit allowed under section 45, 45J, or 45U for such taxable year or any previous taxable year, and

“(BB) which is used by such facility for the production of clean hydrogen, or

“(bb) for such taxable year or any previous taxable year, the basis of such facility is taken into account for purposes of the credit
allowed under section 48, 48A, 48B, 48C, or 48D,

“(II) any facility which receives electricity—

“(aa)(AA) from another facility for which a credit is allowed for such taxable year or any previous taxable year with respect to such electricity under section 45, 45J, or 45U, or

“(BB) from another facility or project for which, for such taxable year or any previous taxable year, the basis of such facility or project is taken into account for purposes of the credit allowed under section 48, 48A, 48B, 48C, or 48D, and

“(bb) which is used by such facility for the production of clean hydrogen, or

“(III) any carbon capture equipment placed in service at a facility which is used to capture qualified carbon oxide which is taken into account
in such taxable year or any previous taxable year for purposes of the credit allowed under section 45Q.

“(ii) Denial of double benefit.—

With respect to any section described in clause (I), (II), or (III) of clause (i), no credit shall be allowed under such section for any taxable year with respect to any property for which a credit is allowed under this section for such taxable year or any prior taxable year.

“(3) Qualified production method.—The term ‘qualified production method’ means—

“(A) electrolysis, and

“(B) any method not described in subparagraph (A).

“(e) Transfer of credit.—

“(1) In general.—If, with respect to a credit allowed under subsection (a) for any taxable year, the taxpayer elects the application of this subsection for such taxable year with respect to all (or any portion specified in such election) of such credit, the eligible project partner specified in such election, and not the taxpayer, shall be treated as the taxpayer for
purposes of this title with respect to such credit (or such portion thereof).

“(2) ELIGIBLE PROJECT PARTNER.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘eligible project partner’ means, with respect to any qualified hydrogen production facility, any person who—

“(i) has an ownership interest in such facility,

“(ii) provided equipment for or services in the construction of such facility,

“(iii) provides electricity or feedstock for production of hydrogen at such facility,

“(iv) purchases hydrogen, or a direct product thereof, produced at such facility pursuant to a contract, or

“(v) provides financing for such facility.

“(B) FINANCING.—For purposes of subparagraph (A)(v), any amount paid as consideration for a transfer described in paragraph (1) shall not be treated as financing for qualified hydrogen production facility.

“(C) OTHER RULES.—Rules similar to the rules of subparagraphs (C) through (I) of sec-
tion 48D(d)(2) shall apply for purposes of this subsection.

“(f) Determination of When Construction Begins; Continuous Program of Construction or Continuity of Effort.—Rules similar to the rules of section 45U(e) shall apply for purposes of this section.

“(g) Regulations.—Not later than 1 year after the date of the enactment of this section, the Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”.

(b) Credit Allowed as Part of General Business Credit.—Section 38(b) of the Internal Revenue Code of 1986, as amended by section 4(b), is amended by striking “plus” at the end of paragraph (33), by striking the period at the end of paragraph (34) and inserting “, plus”, and by adding at the end the following new paragraph:

“(35) the clean hydrogen production credit determined under section 45V(a).”.

(e) Clerical Amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, as amended by section 4(d), is amended by adding at the end the following new item:

“Sec. 45V. Clean hydrogen production.”.
(d) **Effective Date.**—The amendments made by this section shall apply to hydrogen produced and sold in taxable years beginning after the date of the enactment of this Act, at facilities the construction or modification of which begins after the date of enactment of this section.

**SEC. 6. REPORT ON ADDITIONAL ENERGY PRODUCTION TECHNOLOGY.**

(a) **In General.**—Not later than 1 year after the date of enactment of this Act, and every 5 years thereafter, the Secretary of Energy (referred to in this section as the “Secretary”) shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate which—

(1) identifies new and emerging energy production technologies which—

(A) have less than 2 percent market penetration level (as defined in subsection (b)(2)(B) of section 45U of the Internal Revenue Code of 1986 (as added by section 4 of this Act)); and

(B) the Secretary recommends should be added to subsection (d)(2)(A) of such section as an individual energy production technology;
(2) includes legislative language to carry out
the recommendations described in paragraph (1)(B);
and

(3) considers petitions and comments submitted
under subsection (b).

(b) Report Process.—

(1) In general.—Not later than 24 months
after the date of enactment of this Act, the Sec-
retary shall publish in the Federal Register and on
a publicly available Internet website of the Depart-
ment of Energy a notice requesting members of the
public to submit to the Department of Energy dur-
ing the [______-day] period beginning on the date
of such publication petitions for inclusion of any
technology used for the production of electricity as
an individual energy production technology under
subsection (d)(2) of section 45U of the Internal Rev-
ue Code of 1986 (as added by section 4 of this
Act).

(2) Content.—Each petition described in
paragraph (1) shall include the following informa-
tion:

(A) The name and address of the peti-
tioner.
(B) A description of the technology used for the production of electricity.

(C) A certification as to whether such technology satisfies the requirements under subsection (d)(1)(C) of section 45U of the Internal Revenue Code of 1986.

(D) Such other information as the Secretary may require.

(3) PROCEDURES.—The Secretary shall prescribe and publish in the Federal Register and on a publicly available Internet website of the Department of Energy procedures to be complied with by members of the public submitting petitions for inclusion under paragraph (1).

(c) REVIEW.—

(1) PUBLICATION AND PUBLIC AVAILABILITY.—As soon as practicable, the Secretary shall publish on a publicly available Internet website of the Department of Energy the petitions for inclusions submitted under paragraph (1) of subsection (b) that contain the information required under paragraph (2) of such subsection.

(2) PUBLIC COMMENT.—

(A) IN GENERAL.—The Secretary shall publish in the Federal Register and on a pub-
likely available Internet website of the Department of Energy a notice requesting members of the public to submit to the Department of Energy comments on the petitions for inclusion published by the Department of Energy under paragraph (1).

(B) PUBLICATION.—The Secretary shall publish a notice in the Federal Register directing members of the public to a publicly available Internet website of the Department of Energy to view the comments of the members of the public received under subparagraph (A).

(d) SENSE OF CONGRESS.—It is the sense of Congress that, to incentivize innovation in energy generation technologies and to promote the reliability of and performance improvements in the United States energy sector, Congress should, not later than 90 days after the Secretary submits any report under subsection (a), consider a bill to add any technology used for the production of electricity which is included in such report to the list of individual energy production technologies under section 45U(d)(2) of the Internal Revenue Code of 1986.