



This week, we're introducing our new guide to the IRA's climate and clean energy-related tax credits [here](#). You can find details about the tax credits themselves and status updates on the accompanying guidance. More details on what we're hearing, below.

Client Note: Wake Me Up When September Ends

This Week in Washington

The Senate is back in session today after a month-long hiatus, while the House will return to Washington next week. Both chambers will waste no time upon their arrival, as they have only a few weeks to pass a continuing resolution to avert a government shutdown and reconcile differences on multiple must-pass reauthorization bills (or, more likely, pass extensions to give more time to negotiate the full reauthorizations).

Government Funding

The most important thing to note here is that most in DC (even Congressional appropriators) are forecasting with high likelihood at least a short-term shutdown at some point this year.

Later this month, Congress will attempt to pass a short-term CR (which keeps government funding at existing levels) to give themselves more time to negotiate appropriations bills. One key question is length – will it extend funding by just a few weeks, or until closer to the end of the calendar year, (which is more typical)? Recent reporting suggests that Speaker McCarthy will seek a four-to-six week CR (until November 1st or 15th). A second key question will be which of the White House's [requests for "anomalies"](#) (i.e. targeted funding changes for specific needs) and \$44 billion in supplemental funding for [Ukraine and domestic disasters](#) get included in the stopgap measure – these are always political battles, and the House Freedom Caucus [has made it clear](#) that they oppose even a clean CR.

With messy political dynamics on providing more aid to Ukraine and Republican policy riders like restricting access to abortion, both chambers will have to continue hammering out differences until they can come to an agreement, or the government will shut down. Beyond the immediate need to pass a CR, it's hard to imagine what kind of full-year FY24 appropriations bills can pass both the House and Senate. The Senate Appropriations Committee has already passed each of their twelve appropriations bills with near unanimous support, while the House process is stuck after it barely passed the traditionally bipartisan Military Construction-VA appropriations bill and then gave up trying on a typically uncontroversial Agriculture bill due to a conservative push for anti-abortion language.

Farm Bill

It is almost certain that Congress will miss its September 30 deadline to reauthorize the Farm Bill, causing some of its programs to technically expire. Many others, such as crop insurance and SNAP, won't expire

for months, and those that do won't see disruptions for some time. Senate Majority Leader Mitch McConnell (R-KY) and Senate Ag Committee Chairwoman Debbie Stabenow (D-MI) [have suggested](#) that they are now aiming to pass a new Farm Bill by December 31 (and may either pass an extension or let it lapse altogether, given the lack of extensive immediate impacts). However, with the Senate's hands full with annual appropriations bills, and the House in disarray with [threats from the Freedom Caucus](#) to tank the Farm Bill over demands for huge spending cuts, it is unclear whether the bill will be passed by the end of the year. We may still see a potential markup on the House's version this month, [as intended](#) by Agriculture Committee Chairman G.T. Thompson (R-PA), and we expect to see movement on the Senate side as well in the next couple months.

FAA Reauthorization

The [House passed](#) its version of the FAA reauthorization with a strong bipartisan vote at the end of July. However, the Senate Commerce Committee hasn't reconvened to take up the bill after a canceled markup in June (rumors about the holdup revolve around a fight over pilot training hours and a proposal to expand the number of flights into DCA airport). That's typically a crucial step before the bill can get a vote on the Senate floor and then negotiate a compromise bill with the House. Since we've only heard crickets on this front, we'd expect that even if there are good conversations happening in the background to get to a Senate bill (or even a bill that can pass both chambers), a short-term extension will almost certainly be necessary to get this done given the near-exclusionary focus on appropriations.

NDAA

The House passed [its version](#) of the NDAA bill in mid-July nearly along party lines (with only four Democrats joining Republican members) and the [Senate passed](#) its NDAA bill at the end of July, with a mix of 11 Ds and Rs voting against it after 945 amendments were proposed and issues of diversity, AI, nuclear weapons, and increased military spending came to the fore, causing a few liberal Dems to break with their majority. Both of these outcomes are in some ways unusual – the NDAA typically passes the chambers with large bipartisan support, so these slim majorities are an indication of how politicized even this process has become. Once both chambers return from recess, they will have to reconcile texts. While September 30th is the stated deadline, Congress regularly takes two-to-three extra months to finish work on NDAA with little impact.

Updated Guidance: Prevailing Wage & Registered Apprenticeship Bonus Credit

Last Tuesday, Treasury [released](#) a [Notice of Proposed Rulemaking](#) providing more clarity around the IRA's Prevailing Wage & Registered Apprenticeship bonus credit that gives taxpayers five times the value of [certain](#) tax credits. A key update is clarification about the penalties for taxpayers who claim the credit while paying less than the prevailing wage and not meeting apprenticeship requirements. The proposed rule also lays out the process for corrections and the penalties for failing to correct mistakes. It also incentivizes the use of Project Labor Agreements (PLA) by allowing for a more forgiving corrections process if a PLA is in place. Finally, Treasury outlined the means by which taxpayers can obtain an exception to the apprenticeship requirement by providing documentation that a good faith effort was made. Comments are due October 30.

Two other issues related to IRA tax credits are still festering (in addition to the number of credits still without guidance, like the 45V clean hydrogen production tax credit) - 1) industry is still facing

challenges making use of the domestic content bonus credit in light of the lack of clarity in Treasury's interim guidance that makes it nearly impossible for most companies to claim, and 2) we expect more Treasury guidance on the electric vehicle credits to be released soon, which will include its interpretation and proposed implementation of the "foreign entity of concern" provisions, which have been a hot button issue with some members of Congress. *You can find our new guide to the IRA's climate and clean energy-related tax credits [here](#). Check out the first tab for details about the tax credits themselves and the second tab for status updates on the accompanying guidance.*

The Economy

As the Fed approaches its next meeting on September 19-20, it will be considering recent data on the labor market and consumer spending. [Markets still expect](#) the central bank to leave interest rates unchanged, with [job openings in July](#) at their lowest level in over two years. Alternatively, the Fed's preferred measures of inflation, the Personal Consumption Expenditures (PCE) Index and "core" inflation, both [rose](#) last month and suggest consumers aren't finished spending. However, [Friday's jobs report showed signs](#) that the labor market is finally starting to cool, with slower summer hiring and the unemployment rate ticking up to 3.8 percent last month.

Debate Debrief: Climate Change is Real, and Republicans are Scrambling for Solutions

Two weeks ago, eight Republican candidates for President took the stage at the first primary debate, covering a variety of hot topics, including climate change and the transition to renewable energy sources. In lieu of attending the debate, former President Donald Trump [released a forty-five minute sit-down interview](#) with Tucker Carlson.

Some of the candidates, such as Former South Carolina Governor and UN Ambassador Nikki Haley, South Carolina Senator Tim Scott, and North Dakota Senator Doug Burgum focused their climate-related remarks on the need for other countries to reduce their emissions. Florida Governor Ron DeSantis (who is [actively refusing](#) IRA clean energy incentives) and entrepreneur Vivek Ramaswamy, however, honed in on the need for domestic fossil fuel production. Most in-studio audience members expressed vocal support for Ramaswamy's vision to "unlock American energy. Drill. Frack. Burn coal [and] embrace nuclear." Interestingly, however, when Ramaswamy [called](#) the climate change agenda a "hoax", he was met with jeers, indicating the GOP stance on the climate crisis has shifted significantly in recent years.

Haley and Burgum both hammered home anti-China messaging, attacking electric vehicles and batteries, and Burgum argued that IRA incentives are subsidizing China. As the Republican Party continues to shift its stance on climate change, it seems likely it will continue to put pressure on China, India, and other major polluters while continuing to dismiss all IRA benefits, [which disproportionately support their states and constituents](#).

DOE Funding Opportunity Announcements (FOAs)

DOE [announced on Thursday](#) a \$15.5 billion package of grant and loan opportunities focused on modifying existing factories to fit the needs of EV production. This package includes [\\$2 billion in grants](#), [\\$10 billion in loans](#), and an additional [\\$3.5 billion in expected funding](#) to expand domestic battery production for EVs.

Also last week, DOE [announced a \\$300 million grant program](#) for states, tribes, and local governments to accelerate and strengthen electric transmission siting and permitting processes. Funded under the IRA, concept papers for the [Transmission Siting and Economic Development](#) (TSED) grant program are [due](#) by October 31.

On August 21st, DOE [announced \\$30 million](#) in grant funding to promote domestic manufacturing by onshoring the extraction of critical minerals. Applications must be [submitted](#) by October 20.

The Biden-Harris Administration, in conjunction with the EPA, DOE, and DOE's National Energy Technology Lab [announced the availability](#) of up to \$350 million in formula grant funding to help monitor and reduce methane emissions. The deadline for states to [apply for this opportunity](#) is September 30.

Lastly, letters of intent for the [\\$20 million Materials, Operation, and Recycling of Photovoltaics \(MORE PV\) program](#) are due tomorrow, Wednesday, September 6; applications for the [Advanced Battery Research and Development Composium](#) and [\\$32 million Front-End Engineering and Design \(FEED\) Studies for Production of Critical Minerals and Materials from Coal-Based Resources FOA](#) are due by September 8 and 11, respectively.

For more information on the above funding opportunities, please see [this memo](#).

Clients in the News

[Hannon Armstrong Sustainable Infrastructure \(HASI\)](#) [expanded its partnership](#) with Summit Ridge Energy, the nation's largest commercial solar company. It will establish a 250-megawatt community solar portfolio that will feature solar panels from U.S. manufacturing facilities, [including](#) the QCells factory in Georgia - largely driven by the IRA's clean energy tax incentives.

[Universal Hydrogen](#) co-founder John Gordon [discussed](#) the state of their new fuel cell factory in Albuquerque, New Mexico.

Lori Lodes, executive director of [Climate Power](#), [was quoted](#) on the Republican Party's widely unpopular stance on climate change.

Madeleine Foote, deputy legislative director of [League of Conservation Voters](#), [was quoted](#) on the Supreme Court's ruling and EPA's subsequent removal of restrictions [protecting wetlands from pollution](#).

[LG](#) and Hyundai [announced](#) a \$2 billion expansion of their battery manufacturing facility at the Hyundai EV plant in Georgia, hiring an additional 400 workers.

This Week: Hearings to Watch

Thursday, September 7th

Senate Environment and Public Works Committee

Hearings to Examine Implementing IIJA, Focusing on Perspectives on the Drinking Water and Wastewater Infrastructure

(10:00AM EDT), watch [here](#).

Senate Committee on Energy and Natural Resources

Full Committee Hearing to Examine Recent Advances in Artificial Intelligence and the Department of Energy's Role in Ensuring U.S. Competitiveness and Security in Emerging Technologies

(10:00AM EDT), watch [here](#).

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