



Baker Botts: Inflation Reduction Act Capabilities

The Inflation Reduction Act (IRA) of 2022

On August 16, 2022, the United States enacted the most significant clean energy legislation in the nation's history. The Inflation Reduction Act of 2022 ("IRA") will be an outsized influence over investments across the energy landscape for the coming decade, and every participant in the U.S. energy market should be familiar with the key aspects of this new legislation.

IRA will provide hundreds of billions of dollars in direct government support for a vast range of energy infrastructure investments, from renewables like solar, wind, and geothermal power generation, to hydrogen and renewable natural gas production, carbon capture, electric vehicles and charging infrastructure, energy storage, sustainable fuels, to enormous support for the build out of domestic manufacturing of energy transition systems. This direct government support will facilitate *trillions* of dollars of investment in U.S. energy infrastructure over the coming decade.

IRA also introduced new, more flexible tax credit monetization methods, including "direct-pay" and credit transferability, Baker Botts is crafting creative solutions and structures utilizing such methods for clients looking to finance their projects. We are actively monitoring, reporting and participating in the regulatory process that will set the bounds of how the market can and will adopt important aspects of IRA.

While expanding the amount and scope of tax support for energy transition investment, IRA implemented a number of conditions to realizing the full value of the available credits. These include compliance certain prevailing wage and apprenticeship requirements, domestic content thresholds and a series of geographic tied incentives. We are actively working with clients to develop all forms of agreements and documentation to meet these requirements, or account for remaining uncertainty in the application of these rules.

We are providing technical advice on tax credit availability to projects in all stages of development, from planning to construction to retrofitting or repowering. In addition, our attorneys assist clients in debt financing clean energy projects through other federal programs, including Sections 1703 and 1706 loan guarantee programs provided by the U.S. Department of Energy, U.S. Department of Agriculture programs for rural energy projects, as well as related programs under the Bipartisan Infrastructure and Jobs Act of 2021.

Global Investment Opportunity

For foreign investors that want to enter or expand their position in the U.S. energy transition, IRA represents a unique opportunity to build sustainable value in the U.S. energy market. Our team has helped countless inbound investors navigate the challenges of the U.S. energy market by leveraging our depth of experience in transitional and traditional energy markets. Our team also has access across the landscapes of development and operational assets and can often facilitate valuable introductions.

"Eminent practice held in high regard for advising on the full range of domestic and international tax structuring matters and high-value corporate transactions. Regularly provides counsel on state and local tax (SALT), as well as sensitive controversy and litigation issues."

- Chambers USA



Band 1 Ranked - Tax Practice

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Full Service, Integrated Team Approach

Our team brings an unparalleled level of service, expertise and depth in power, renewable energy (solar, wind, hydro, tidal, battery) and the energy transition (hydrogen / ammonia, CCUS, RNG). Our firm is widely considered by industry insiders to be one of the best, if not the best, firm across the broader energy complex. Baker Botts offers a broad and diverse energy practice that is supported by a deep bench of attorneys in transactional (M&A, joint ventures, finance, project finance, project development), regulatory, tax, environmental, real estate, construction, intellectual property, litigation, antitrust, and CFIUS.



Baker Botts' Top Tier Tax Practice

Baker Botts tax lawyers help some of the world's largest corporations, partnerships, other joint ventures and independent businesses achieve efficient solutions to their tax problems. We advise on topics ranging from corporate tax issues, employee benefits and executive compensation matters to tax controversies and state and local taxation.

We provide a full-service approach to assist clients in connection with corporate structuring and planning, U.S. and international tax concerns, transactional and M&A support, federal tax credit qualifying and monetizing, state & local tax incentives and location packages, tax controversy and matters, both litigated and administrative

Tax Incentivized Investment Practice

- ✓ Integrated teams where tax, transactional, regulatory, and other subject expert lawyers collaborate
- ✓ At the forefront in development and understanding of both existing and new post-IRA credits and transaction structures
- ✓ Our team has supported more than \$10 billion in tax equity transactions, advising a broad range of companies across dozens of transactions playing different roles in the clean energy space:
 - developers and independent power companies,
 - private equity, hedge funds, infrastructure investors and other private capital investors
 - tax equity investors, including financial institutions, syndicators, and corporate tax investors emitters/generators
 - JV partners, and disposal companies
- ✓ Advise on technical issues across technologies and financing structures
- ✓ Leading clean energy tax controversy practice, which our transaction teams leverage with real time data on shifting IRS enforcement priorities
- ✓ Extensive relationship with Treasury and IRS personnel; have commented on proposed regulations and provided testimony at IRS hearings
- ✓ State and local practice experienced in identifying and negotiating location incentive packages

IRA Thought Leadership

Baker Botts is at the forefront of development and understanding of clean energy tax issues in connection with IRA. We have published articles in numerous publications, and are frequently called upon to speak on global platforms in connection with tax concerns.

- [IRS Establishes Environmental Justice Credit Allocation and Advanced Energy Project Credit Programs](#)
- [Finding Tool for Public Comment Letters Filed Regarding Section 45V and 45Z \(Clean Hydrogen and Clean Fuel Production Credits\)](#)
- [Baker Botts Files Comments in Response to IRS Notices 2022-50 and -51 Regarding Guidance Needed for IRA implementation](#)
- [Treasury and IRS Request Comments on Issues for Guidance Under Clean Energy Provisions of IRA](#)
- [Clean Hydrogen and Fuel Cell Incentives in the IRA of 2022](#)
- [Senate Passes IRA of 2022](#)
- [Schumer and Manchin Release the Inflation Reduction Act of 2022 - Clean Energy Tax Proposal](#)

These articles and other useful resources are available online at www.bakerbotts.com.