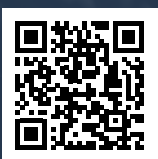


Unlocking the Benefits of Onsite Energy with Incentives from the IRA

Business leaders in the United States, did you know there is a significant opportunity to realize a long term profitable and sustainable energy strategy with the deployment of onsite energy systems? Furthermore, did you know, you can dramatically decrease the time it takes to pay back the capital expense of an onsite energy system by taking advantage of incentives available in the Inflation Reduction Act (IRA)?

In this playbook, we will provide key details of the Inflation Reduction Act (IRA), and the incentives and tax credits it facilitates to help your business reach its energy goals, reduce overall energy costs, and increase operational resiliency.



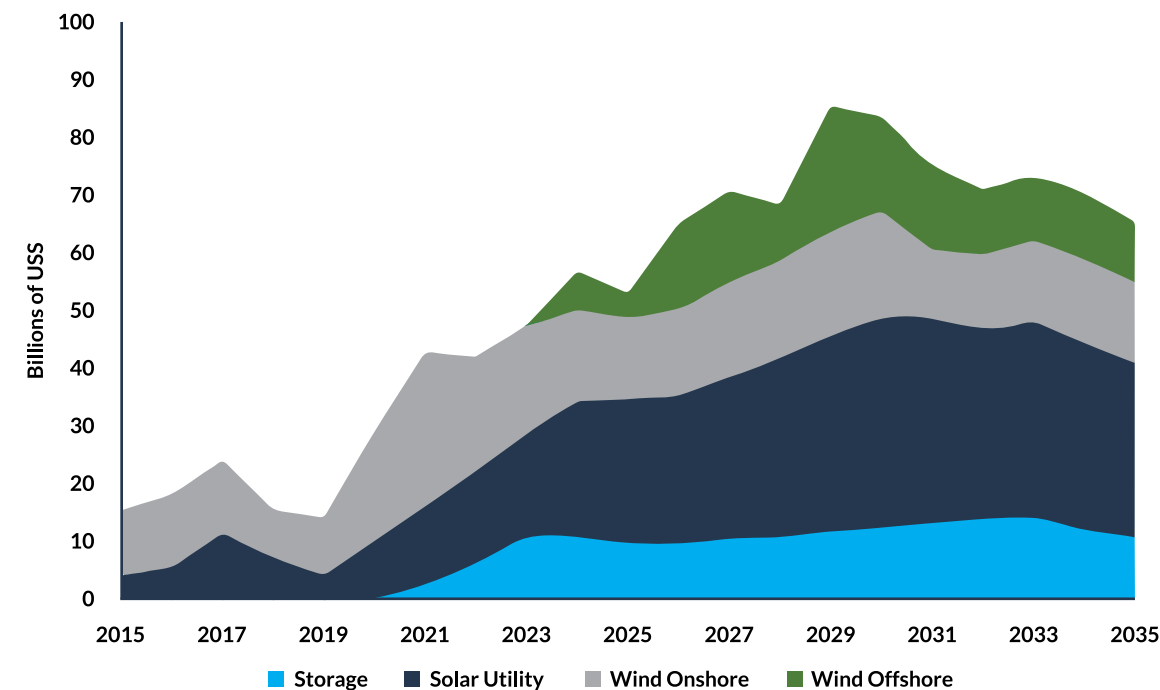
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What is the Inflation Reduction Act?

The Inflation Reduction Act (IRA) was signed into law in 2022 to stimulate, unlock and accelerate the energy transition and support the United States (US) to achieve targets of cutting greenhouse gas emissions by 50 percent, to achieve 52 percent below 2005 levels, by 2030 and net zero by 2050. Models suggest the Inflation Reduction Act will support the industry to achieve approximately 80% of the 2030 goal.

Projected US Renewable Energy Investment Under the Inflation Reduction Act



Prior to the IRA, the US was under heavy scrutiny for not doing enough. The IRA has changed that and set the stage for the US to lead by example delivering a more coordinated, aligned, and supported energy industry transformation.

At least

\$369B

has been earmarked in support for energy transition technologies (renewables, nuclear, hydrogen, carbon capture, storage and electric vehicles).

For purposes of this paper, the act aims to increase investment in renewable and sustainable energy resources and enable commercial and industrial businesses to invest in their own energy systems. Additionally, businesses can buy and sell tax credits through the IRA.

Primarily the IRA offers tax credits to businesses that adopt renewable energy technologies like solar and wind.

The IRA also creates new production tax credits for nuclear, clean hydrogen and takes a more technology neutral approach to incentives moving forward.

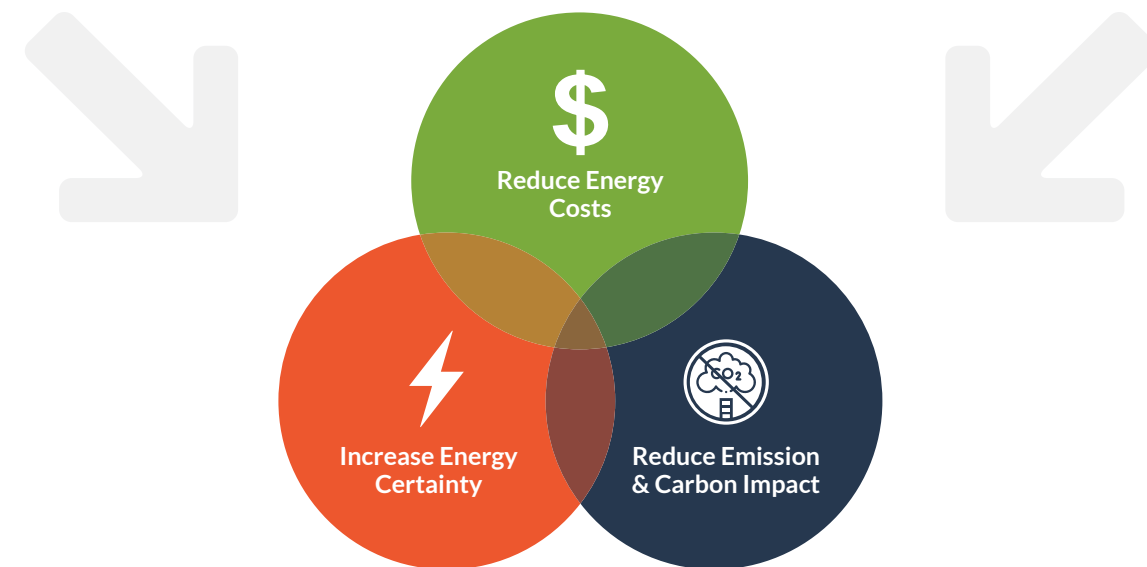
Expanding the tax credits beyond wind and solar and including energy storage, geothermal, biofuels and more, are now able to be included in projects leveraging the federal benefits. This encourages businesses to reduce their environmental impact and save money on energy costs. Additionally, the IRA provides financing for energy efficiency upgrades and investments in energy-efficient technologies and products.

Taking full advantage of the IRA requires a systematic approach. And while the complexity of these projects may seem daunting, this white paper is an overview of how you should approach it.

Step 1: Goal Setting & Prioritization

Before starting any energy project, it is critical to establish your desired energy goals. This step may seem simple, but many businesses do not have a clear understanding of their objectives. Most do not know what is possible, others are stuck using expensive consultants. Some have relented to the barrage of sales pitches from suppliers and developers (focused on selling their specific widget/solution) which may not be right for your specific needs and objectives. **To ensure success, it is crucial to have a well-defined vision with documented goals and milestones that are agreed upon by key stakeholders.** This foundation will set the stage for a successful energy strategy and solutions.

Business energy goals typically fall into the following categories:



Goals can be one of or a combination of these and depending on how they are ranked can greatly influence the optimal solution. The way you define your energy goals will greatly influence your decisions regarding your onsite energy system and what you can finance through the IRA. **If reducing carbon emissions is a top priority, some organizations may choose to avoid cheaper, high-emission energy sources or pay a premium for greater renewables, as there may be downstream benefits such as access to more contracts, cheaper capital and more.** For businesses aiming to enhance their operational resilience, battery storage and backup generators may be crucial.

Step 2: Baseline, Site Prioritization, and Assessment.

Baseline/Load Profiling/Cost Analysis:

It is important to establish your current baseline situation:

- how much energy are you using
- where are you using it
- how much is it costing
- what is the emission profile
- what is the current and future risk of outages

A baseline assessment should be completed for each location and rolled up to a portfolio view. In addition, it is important to understand:

- the daily and hourly energy usage over a 12-24 month period
- what is the carbon intensity of current energy sources
- current rate structure
- existing onsite energy generation assets, such as solar, generators etc.

This is especially important for sites with varying energy costs based on the time of consumption. **Prioritizing site selection is a complex task, and a good baseline for each site is crucial for determining which sites to start with and will have the greatest return on investment against your objectives.** For more information on how to get started, you can reach out to one of our energy experts.

[TALK TO AN EXPERT](#)

Site Prioritization:

Where should you start?

Once you have set your goals and understand your energy situation today it is then necessary to consider all these factors to prioritize your portfolio of facilities.

Pick the sites that provide the greatest return on investment against your goals. Furthermore, under the IRA, certain regions and communities can receive increased tax incentives, and understanding those distinctions is key in leveraging the IRA to its full potential. Combining these factors can take you a long way in determining if a site is right for onsite energy development.

A luxury fashion and goods conglomerate in Northern California is currently using

\$100k monthly | \$1.2M annually

Their Utility is PG&E, which in the past 3 years has seen rates increase for C&I of around 13% annually!!!

Their goal in starting an energy project was to maximize savings, and achieve emissions reductions where possible:

We worked with the team to determine the optimal technology solution under the IRA guidelines of:

1.0 MW Solar (Ground Mount) | 2.2 MW / 4.3 MWH Battery

For a total savings of:

\$37k monthly | \$450K p.a.

Cashflow Positive - 4 years from the time they flip the switch on.

Lifetime energy savings > \$9M

As part of our marketplace, VECKTA provides access to the most competitive solutions to meet specific business needs and objectives. In addition, we also collaborate with experts such as CPA's and financing professionals who have extensive knowledge of the IRA.

They advise prioritizing site evaluation and selection as the most crucial aspect to maximize the benefits of the IRA. We spoke with Anton Cohen, of Cohn Reznick for more detail.



"Site selection is absolutely essential when it comes to taking advantage of the IRA. The viability of renewable energy varies so much based on location, and the combination of the tax incentives in the IRA with other state and local factors determine the viability of any given project."

Anton Cohen
[Cohn Reznick](#)

Mr. Cohen recommends evaluating the suitability of a site(s) for solar or storage as the first step in the process. Then moving on to considering jurisdictional rules, incentives, and taxes depending on the location of the site. Combining that with a detailed energy baseline, will allow you to prioritize sites in a meaningful way.

PRO TIP

For large portfolio companies with multiple sites, making decisions at an individual project level can be challenging. But a quick evaluation followed by a stack ranking of potential candidate sites can help break up large ESG portfolios into bite-size and more accessible chunks.

Assess Top Priority Sites for IRA incentives with an Energy Assessment:

A comprehensive energy assessment should offer you various choices for your energy system, taking into account:

- your objectives
- the optimal configuration of energy generation and storage technologies
- financial and business benefits over the lifetime of the system
- relevant local, state, or federal regulations and incentives
- IRA incentives

The IRA creates a transferability mechanism that allows project developers to sell credits to unrelated third parties. In addition, it allows for direct pay, which means energy tax credits can be sold back to the federal government for cash. This facilitates more entities being able to take advantage of the credits without having to be the project developer.

Transferability of tax equity allows for a larger pool of investors to access the increased supply of tax value created through the IRA, creating a demand that meets the supply. By opening up this greenfield supply to new buyers, US corporations can benefit from a substantial jump in demand for their \$334B in 2022 taxes.

"This presents some interesting opportunities for organizations in the non-profit sector, companies located in disadvantaged communities as defined by the IRA, or business producing more energy than they can use themselves."

Anton Cohen
[Cohn Reznick](#)

The Climate Tech VC has put out an in-depth piece on how this works. Read it here:

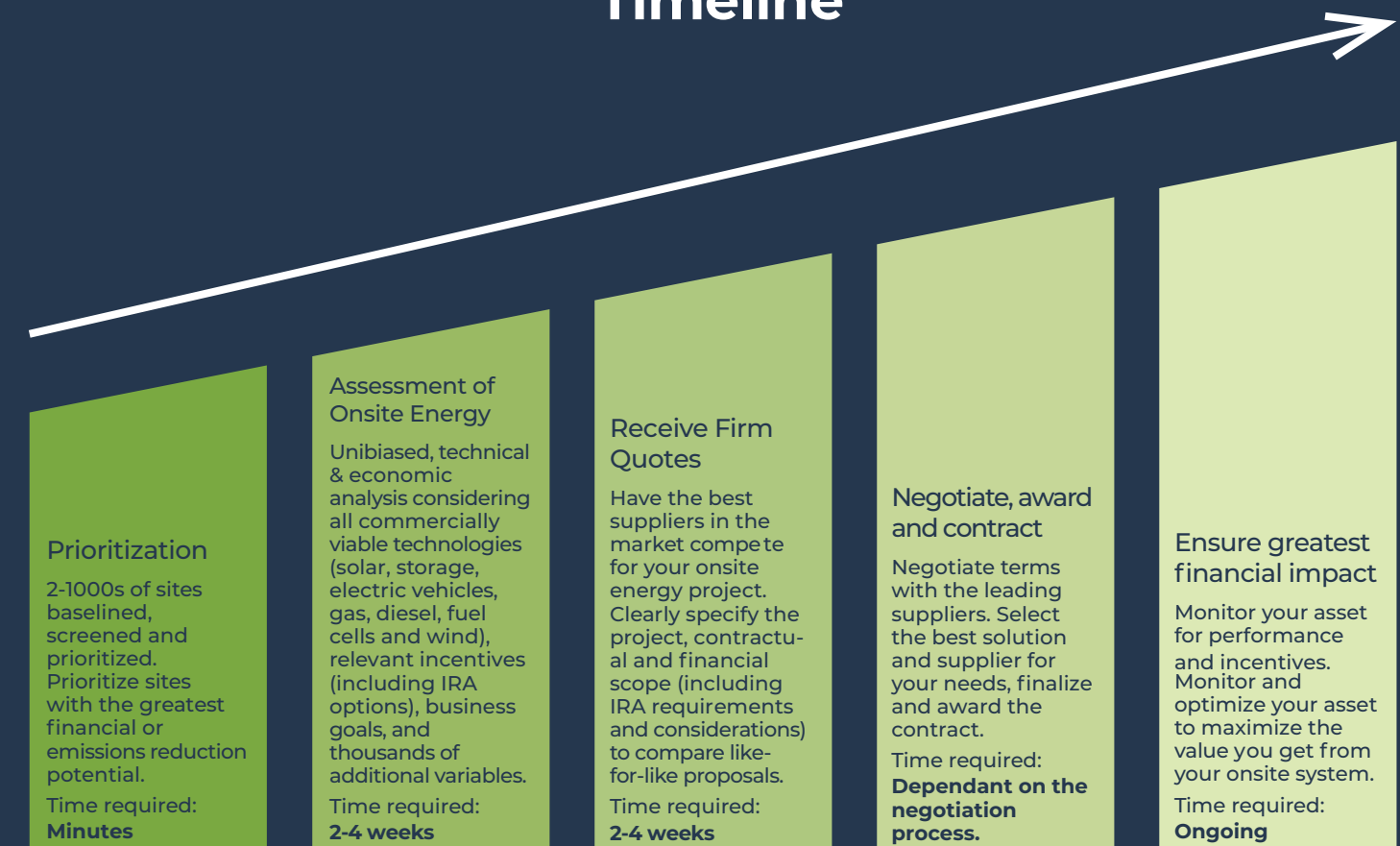
<https://www.ctvc.co/ira-tax-credits-transferability/>

The Treasury Department also just released guidance on the specific mechanics of the transferability option that you can read here:

<https://www.cruxclimate.com/insights/treasury-guidance>

If you have done an energy audit in the past, it is important to revisit this step to ensure you have the right plan in place before you start your project. This is a dynamic market with utility rates, regulations, incentives and supply chain changes, it is important to make decisions on real-time intelligence.

The VECKTA Project Timeline



Step 3: Determine your Tax Credit Regime

The primary method the IRA uses to facilitate energy projects is through tax credits.

The IRA provides two paths for financing a project. The two incentive pathways cannot be used in conjunction with each other, so determining how you'll take advantage at the outset is a critical step in determining the capital cost and financing for your project.

Option 01

The Investment Tax Credit or (ITC) reduces upfront investment costs for a solar PV system or battery energy storage system that is installed during the tax year. Eligible costs include the system itself (plus the balance of system equipment), installation costs, and interconnection costs for projects 5 MW or less.

Option 02

In contrast, the Production Tax Credit (PTC) generates tax credits per kilowatt-hour (kWh) of energy produced for the first 10 years of a facility's operation. Whereas the ITC is a lump sum accrued in the year the project commences operations, the PTC is an annual sum that varies according to the facility's performance.

The new ITC and PTC rules increase the base percentage incentives for clean energy projects. The IRA also creates credits that can be added on top of ITC and PTC. The Department of Energy has put together an easy reference chart to review the incentives and help you decide which work best for you.

Summary of Investment Tax Credit (ITC) and Production Tax Credit (PTC) Values Over Time

			Start of Construction						
			2006 to 2019	v to 2021	2022	2023 to 2033	The later of 2034 (or 2 years after applicable year*)	The later of 2035 (or 3 years after applicable year*)	The later of 2036 (or 3 years after applicable year*)
ITC	Full rate (if project meets labor requirements)	Base Credit	30%	26%	30%	30%	22.5%	15%	0%
		Domestic Content Bonus				10%	7.5%	5%	0%
		Energy Community Bonus				10%	7.5%	5%	0%
	Base rate (if project does not meet labor requirements ^b)	Base Credit	30%	26%	6%	6%	4.5%	3%	0%
		Domestic Content Bonus				2%	1.5%	1%	0%
		Energy Community Bonus				2%	1.5%	1%	0%
	Low-income bonus (1.8 GW/yr cap)	<5 MW projects in LMI communities or Indian land				10%	10%	10%	10%
		Qualified low-income residential building project / Qualified low-income economic benefit project				20%	20%	20%	20%
	PTC for 10 years	Full rate (if project meets labor requirements)	Base Credit			2.6 ¢	2.6 ¢	2.0 ¢	1.3 ¢
Domestic Content Bonus						0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
Energy Community Bonus						0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
Base rate (if project does not meet labor requirements ^b)		Base Credit			0.5 ¢	0.5 ¢	0.4 ¢	0.3 ¢	0.0 ¢
		Domestic Content Bonus				0.1 ¢	0.0 ¢	0.0 ¢	0.0 ¢
		Energy Community Bonus				0.1 ¢	0.0 ¢	0.1 ¢	0.0 ¢

^a "Applicable year" is defined as the later of (i) 2032 or (ii) the year the Treasury Secretary determines that there has been a 25% or more reduction in annual greenhouse gas emissions from the production of electricity in the United States as compared to the calendar year 2022.

^b "Labor requirements" entail certain prevailing wage and apprenticeship conditions being met.

Source: DOE, "Federal Solar Tax Credits for Businesses" (2022)

Under the IRA, the Investment Tax Credit (ITC) and Production Tax Credit (PTC) have two tiers: the base rate and the bonus rate. The bonus rate is a **GAME-CHANGER**, offering a **5X** increase of the base rate for projects that meet prevailing wage and apprenticeship requirements. Furthermore, the ITC and PTC may include additional incentives that provide tax credits for projects that meet certain critical supply chain or geographic criteria, such as projects that support advanced manufacturing job creation in historically fossil-fuel reliant communities. These bonus rates are stackable, meaning they can be used in conjunction with the ITC and PTC, potentially allowing for tax benefits to finance more than 50% of project costs.

There are also different bonuses available for different types of technologies used during the project. ProjectFinance.com has put together a chart of these in this super handy cheat sheet: [The IRA Tax Credit Chart](#).

Transactions involving these tax credits are complex and have historically necessitated extensive due diligence before tax investors are willing to invest in projects. There are still many unanswered questions about the credits that must be addressed by the IRS before the market can truly take off. **We recommend consulting a professional tax advisor, CFO, or another financial professional with a deep understanding of the details of the IRA at this point.** CohnReznick also has a [IRA resource center](#) to help take advantage of the various aspects of the IRA.

How you determine your tax regime will have major tax implications for your business during the lifetime of your system. VECKTA has thousands of vetted suppliers in our **SUPPLIER ECOSYSTEM** that are well positioned to bid on and develop your project, taking maximum advantage of the incentives available. Be sure to talk to one of our energy experts if you are interested in learning more.

[TALK TO AN EXPERT](#)

The IRS continues to offer guidance on the Inflation Reduction Act in order to clarify specific aspects of the act, and better define how the energy incentives can and can't be used. **It is important to be aware of the rules and how they are evolving.** You can do that here: [IRS IRA Guidance](#). This is one of the reasons we recommend working with partners who are experts in this area, and can help you keep up on the changes.

Step 4: The Inflation Reduction Act: Putting It All Together

Once you've gone through the steps in this guide you are ready to take full advantage of the IRA incentives available for your energy project. With your goals in place, your portfolio prioritized, project assessments completed, and your tax regime determined you can move forward with confidence.

Here are your steps towards energy independence:

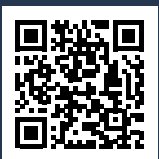
- Configure the optimal solution for your specific business needs considering all technologies (as they can now all benefit from these incentives)
- Create your request for proposal to source competitive bids from developers in the market
- Compare and select the right financing strategy
- Select the winning developer
- Submit your interconnection agreement to your utility
- Start building your project

This may seem complex and overwhelming, and it can be. This is why we have developed VECKTA to place you in control, simplify and accelerate the entire process and connect you with the right stakeholders at the right stages. Rest assured we have a ton of resources available at www.VECKTA.com to help steer you through the process.

Be sure to sign up for our [email list](#) to receive additional information, and to book a demo of the VECKTA platform if you are ready to get started today.

[BOOK A DEMO](#)

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