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# Treasury Department Issues Guidance on Round Two of §48C Advanced Energy Tax Credit Program

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## Quick Take

The highly anticipated guidance for the second round of allocations (Round Two) under the US Treasury's §48C Qualifying Advanced Energy Project Tax Credit program was released this week pursuant to IRS Notice 2024-36, with concept papers due potentially in the next 45 days.[1] That doesn't provide applicants much time, but those with eligible projects should strongly consider submitting a concept paper. Submission of a concept paper is required to submit a full application, and receiving a letter of discouragement from the Department of Energy (DOE) on a concept paper does not preclude an applicant from submitting a full application. Moreover, an applicant that applied for but failed to receive an allocation in the first round is not precluded from applying for an allocation in Round Two.

## Details

The §48C Qualifying Advanced Energy Project Tax Credit program was originally created by the American Recovery and Reinvestment Act (ARRA) of 2009 and subsequently renewed and expanded under the more recent Inflation Reduction Act (IRA) of 2022.

The program aims to play a critical role in creating high-quality jobs, reducing industrial emissions, and increasing domestic production of critical clean energy products and materials.

Round Two will allocate nearly $6 billion, with approximately $2.5 billion going to projects located in energy communities, which are census tracts in which (1) no pre-IRA §48C projects are located and (2) a coal mine has closed after December 31, 1999, or a coal-fired electric generating unit has been retired after December 31, 2009, or that is directly adjoining to any of these census tracts.

The first round of allocations provided $4 billion in tax credits for over 100 projects across 35 states to accelerate domestic clean energy manufacturing and reduce greenhouse gas emissions at industrial facilities.

## Eligible Projects

The program is managed by the DOE's Office of Manufacturing and Energy Supply Chains (MESC) on behalf of the IRS and Treasury. For Round Two, MESC will be looking for projects in the following categories:

- **Clean Energy Manufacturing and Recycling Projects**: A qualifying advanced energy project in this category involves re-equipping, expanding, or establishing an industrial or manufacturing facility. The facility must manufacture or recycle one or more of the specified advanced energy properties outlined in the Round Two guidance. Production of energy-intensive materials that have a substantially lower carbon intensity when compared to an appropriate industry-specific benchmark are now eligible under this category.
- **Industrial Decarbonization Projects (formerly named Greenhouse Gas Emissions Reduction Projects)**: An advanced energy project qualifies under this category if it involves retrofitting an industrial or manufacturing facility, particularly in energy-intensive sectors such as cement, iron and steel, aluminum, and chemicals. The retrofit must include the installation of equipment specifically designed to reduce greenhouse gas emissions by at least 20 percent.
- **Critical Materials Projects**: A qualifying advanced energy project in this category re-equips, expands, or establishes an industrial facility for the processing, refining, or recycling of critical materials (as defined in § 7002(a) of the Energy Act of 2020 (30 U.S.C. § 1606(a)).

# Evaluation Criteria

DOE will evaluate concept papers and applications across multiple criteria and policy factors prior to making allocation recommendations to Treasury, including (1) commercial viability, (2) greenhouse gas emissions impacts, (3) strengthening US supply chains and domestic manufacturing for a net-zero economy, and (4) workforce and community engagement.

# Next Steps & Dates to Remember

No later than May 28, 2024, the **48C ECO Portal** will open for concept paper submissions. In the meantime, on May 16, 2024, the DOE will host a **webinar** for which registration is required. Concept papers will be due no later than 30 days after the 48C ECO Portal opens. Concept papers receiving a favorable review will be encouraged to submit a full application, although any taxpayer that submits a concept paper is eligible to submit a full application regardless of DOE's response to the concept paper. DOE is expected to begin accepting full applications at some point this summer, following which applicants will have no more than 50 calendar days to submit their full application, with final Round Two allocation decisions expected no later than January 15, 2025.

**Endnotes**

**[1]** Unless otherwise indicated, "§" references are to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

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