Revive the 48C Investment Tax Credit for Advanced Energy Manufacturing

This policy memo is part of Data for Progress and National Wildlife Federation’s Made Clean in America series, which features analysis and polling on federal investments to build American clean industrial capacity, tackle the climate crisis, and create high-quality manufacturing jobs.

BY DAVID DEGENNARO

Background

China is by far the largest producer of batteries and solar panels, while Taiwan has the edge on microprocessors and Europe leads the way in making wind turbines. Workers in these countries are reaping the benefits. While efforts are needed to shore up the domestic clean energy supply chain, the U.S. also has an opportunity to manufacture the final products needed to reduce climate pollution through clean energy and transportation. Realizing that vision, however, will require federal investment, particularly through tax incentives like the lapsed Advanced Manufacturing Tax Credit, known as 48C.

The American Recovery and Reinvestment Act of 2009 created the new 30 percent investment tax credit to help revitalize domestic manufacturing and orient it toward the production of goods that would reduce electricity use and climate emissions. Eligible goods included wind, solar, and geothermal components, electric grids and energy storage, carbon capture and sequestration equipment, and energy efficiency items. Rather than any manufacturer being eligible for the credit, it was competitive, with the
Departments of Treasury and Energy ranking applicants based on criteria such as potential near-term job creation and greatest net impact on avoiding or reducing emissions.

The incentive proved highly popular, with three times as many applicants as projects ultimately awarded the credit. The winning projects were spread across the entire country, represented businesses large and small, and produced a wide range of goods. At the time, the White House estimated the tax credit would generate 58,000 jobs, with more flowing indirectly from those. The last awards were granted in 2013.

Completely decarbonizing our economy will be a massive undertaking that will unleash a wave of innovation, development, and construction unprecedented since at least the New Deal. Of the hundreds of thousands or even millions of jobs associated with switching to clean energy generation, it is estimated that the largest share - 38 percent - will occur in manufacturing. Incentives like 48C can complement supply chain investments and will help meet this demand.

Key policy options

In 2019 Rep. Boyle (D-PA) introduced the Innovative Energy Manufacturing Act to revive the 48C tax credit at a level of $2.5 billion. The House Select Committee on the Climate Crisis endorsed the credit in its report last year.

In the Senate, Senators Manchin (D-WV) and Stabenow (D-MI) introduced the American Jobs in Energy Manufacturing Act earlier this year. The bill would expand the types of projects and increase the funding to $8 billion. Of this amount, half would have to go to projects located in or adjacent to communities that had seen recent coal mine closures or coal power plants decommissioned. Initially included as part of the bipartisan infrastructure framework that became the Infrastructure Investment and Jobs Act, the proposal is now expected to be a part of the Democrats’ reconciliation bill. Recent Data for Progress analysis found that the job creation from 48C would be substantially amplified when coupled with the Democrats’ Clean Electricity Performance Program (CEPP).

However, the $8 billion proposed by Sen. Manchin is surely not enough to truly meet the needs to expand a domestically sourced and built clean economy. Additional, sector-specific proposals have been introduced to establish production tax credits for manufacturing semiconductors, solar panels and components, and offshore wind technology. These production-based credits may also be needed, but they will never be used if manufacturing facilities are not built in the first place. That is why the 48C investment incentive is so important.

The carveout for communities undergoing energy transition is also important. These communities have skilled workers who may face displacement as we shift to a clean economy, and 48C can bring new job opportunities and tax revenue to historically fossil fuel-dependent communities. Ensuring that the credit will bring new investment to these areas can help us make good on the promise of a “just transition” and strengthen the political coalition for a robust 48C.
Polling

There is widespread bipartisan support for federal tax credits that would spur job creation in communities that are impacted by the clean energy transition. By a +58-point margin, voters support tax credits that would encourage companies to manufacture new clean energy technologies in America, especially in communities that have lost jobs in the fossil fuel industry. Nearly all Democrats (86 percent), over three-quarters of Independents (76 percent), and roughly two-thirds of Republicans (63 percent) support tax credits that emphasize delivering economic benefits to fossil-dependent communities.

<table>
<thead>
<tr>
<th>Partisanship</th>
<th>Strongly support</th>
<th>Somewhat support</th>
<th>Don’t know</th>
<th>Somewhat oppose</th>
<th>Strongly oppose</th>
<th>Support</th>
<th>Oppose</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>All likely voters</td>
<td>33%</td>
<td>42%</td>
<td>10%</td>
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<td>75</td>
<td>17</td>
<td>+58</td>
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<td>Democrat</td>
<td>47%</td>
<td>39%</td>
<td></td>
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<td>86</td>
<td>8</td>
<td>+78</td>
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<tr>
<td>Independent/Third party</td>
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<td>42%</td>
<td>17%</td>
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<td>76</td>
<td>16</td>
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<td>45%</td>
<td>17%</td>
<td></td>
<td>12%</td>
<td>63</td>
<td>29</td>
<td>+34</td>
</tr>
</tbody>
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September 15–17, 2021 survey of 1,346 likely voters

From September 15 to 17, 2021, Data for Progress conducted a survey of 1,346 likely voters nationally using web panel respondents. The sample was weighted to be representative of likely voters by age, gender, education, race, and voting history. The survey was conducted in English. The margin of error is ±3 percentage points.