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Energy Sector Innovation Credit (ESIC) is Poised for Passage

Bipartisan, bicameral legislation to encourage innovation in the clean energy sector introduced by top Committee members

Washington, DC – Tuesday, July 27, 2021 – ClearPath Action says the [Energy Sector Innovation Credit \(ESIC\) Act](#), a bipartisan energy tax proposal to encourage innovation in the clean energy sector, is well-positioned to become law.

U.S. Senate Finance Committee Ranking Member Mike Crapo (R-ID) and Senate Finance Committee member Sheldon Whitehouse (D-RI) are leading the legislation in the Senate. U.S. House Ways & Means Committee Members Reps. Tom Reed (R-NY) and Jimmy Panetta (D-CA) led the introduction in the House today. Reps. Reed and Panetta also sponsored a [bipartisan version](#) of the bill last Congress.

“The Energy Sector Innovation Credit creates incentives for breakthrough innovation for power generation and storage technologies across the clean energy spectrum. It’s a real game-changing market signal for private sector innovators, and given the strong and growing bipartisan support, this bill is poised for passage,” **said Rich Powell, Executive Director of ClearPath Action.** “ESIC helps overcome the initial financing hurdles associated with developing “first-of-a-kind” and nascent power generation technologies. By making the credit proportional to how much a project earns from market sales, the credit eliminates the unintended ‘negative pricing’ distortions other credits have had on power markets.”

ESIC is motivated by the need to rapidly scale and diversify American clean energy technologies through innovation as a means to achieve long-term emissions targets, create jobs, and provide safe and reliable energy. The credit is designed to help nascent technologies overcome the incumbency advantages of established technologies, including suboptimal resource location relative to existing grid infrastructure, lack of economies of scale, and the absence of existing constituencies.

The bill establishes a technology-inclusive, flexible investment tax credit (ITC) or production tax credit (PTC) designed to promote innovation across a range of clean energy technologies, including generation, storage, and carbon capture needed to tackle climate change. For each breakthrough technology, the incentive automatically ramps down as individual technologies scale up in the commercial marketplace, not an arbitrary date like traditional energy credits. This

credit could incentivize gigawatts of new clean energy generation needed to accelerate the U.S. power grid towards deep emissions reductions, including advanced nuclear, carbon capture, enhanced geothermal systems, offshore wind, long-duration storage and next-generation solar energy. The policy also would bolster the initial deployment of industrial carbon capture, hydrogen, and direct air capture technologies, identified as an essential piece of the net-zero strategy of multiple U.S. utilities and corporate entities like Xcel Energy, U.S. Steel and Microsoft.

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ABOUT CLEARPATH ACTION

ClearPath Action's vision is that America leads in affordably powering the world with reliable clean energy. ClearPath Action's mission is to develop and advance policies that accelerate breakthrough innovations that reduce emissions in the energy and industrial sectors. To advance that mission, ClearPath Action develops cutting-edge policy solutions on clean energy and industrial innovation. Learn more at clearpathaction.org. Follow us on Twitter:

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