



June 25, 2025

The Honorable John Thune  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mike Crapo  
Chairman  
Senate Committee on Finance  
Washington, D.C. 20515

Dear Majority Leader Thune and Chairman Crapo:

As Congress considers major changes to energy policy through the FY2025 budget reconciliation process, we urge you to prioritize reforms to the Inflation Reduction Act (IRA) that will ultimately improve energy reliability and affordability through investments in innovative energy technologies that will help power tomorrow's grid.

The Senate Finance Committee's reforms to the IRA represent a major improvement over the House's One Big Beautiful Bill (OBBB). While the House bill would phase out tax credits and subsidies for the range of clean energy technologies, the Senate version extends policy support to nascent technologies like nuclear, geothermal, and natural gas plants with carbon capture, while phasing out subsidies for the most mature low-carbon industries: solar, wind, and electric vehicles.

By implementing an earlier phaseout of clean electricity credits for solar, onshore wind, and offshore wind, the Senate Finance proposal achieves an additional \$130 billion in fiscal savings over the 2025-2035 period relative to the House version. Over a ten-year timeframe, the Senate proposal could achieve approximately \$639 billion in savings relative to current IRA policies, while the House proposal represents savings of around \$509 billion.

Fortunately for the renewables sector, the Senate's approach preserves the investment tax credits for energy storage facilities that increasingly accompany solar and wind projects—a smart policy strategy that will continue to help increase renewables' electricity market value proposition while bolstering U.S. grid reliability. The energy storage investment tax credit is technology-neutral, and plays a key role in accelerating the commercialization of novel battery, thermal, and other energy storage technologies.

Moreover, the Senate draft also makes much-needed improvements to convoluted provisions barring credit eligibility for foreign entities of concern (FEOC) that might have posed extreme bureaucratic compliance difficulties even for taxpayers with negligible links to FEOC. The draft text increases limits on individual, total ownership and debt held by FEOCs, avoiding the risk of unnecessarily excluding companies with nominally low shares of FEOC ownership.

Recognizing that there are timing and political constraints to further amendments, we respectfully propose the following:

- **Allow regulated utilities to opt-out of normalization tax rules:** Allow regulated state public utilities to opt out of normalizing capital costs over the entire period of asset depreciation and instead take the full capital cost upfront, benefiting from the clean electricity investment tax credit immediately at the start of project construction. This tax normalization change adds significant market value to the investment tax credit for some taxpayers at no additional costs by reducing the initial capital expenditures and financing costs for capital-intensive baseload energy technologies. The final reconciliation bill could amend 25 USC 50(d)(2) to include a subparagraph that enables similar treatment for projects that qualify for the 48E ITC.
- **Incorporate simpler and clearer revisions to FEOC restrictions:** Congress faces a tradeoff between rigorous prohibitions that ensure that little if any benefits from tax credits flow to FEOC entities, and simpler safeguards that reduce the time and cost burdens of compliance for taxpayers. Policymakers should recognize that onerous restrictions that heavily limit or delay new domestic investments into energy and manufacturing projects will do far more to hurt American strategic competitiveness long-term.
- **Restore stringency on pollution and land consumption safeguards for clean fuel production tax credits and biomass-fired electricity:** Federal subsidies for biofuels and biomass-fired electricity should be eliminated entirely. These subsidies support clearly commercialized technologies and possess no innovation policy basis. Barring full repeal of these provisions, we recommend striking Section 70512(e), which modifies 45Y and 48E, and we recommend against proceeding with the changes reflected in Section 70521(b)-(c).

- **Restore a longer phaseout timeline for critical minerals under the Advanced Manufacturing Production Credit:** The Senate text commits a major strategic mistake by phasing out production tax credits for domestically-produced critical minerals between 2031-2033. Previously, the 45X production tax credit contained no phaseout provision for critical minerals production. The critical minerals sector faces uniquely long lead times that require a longer credit eligibility period in order for production tax credits to generate adequate market investment and project development. We would recommend that phaseout of the credit for domestic critical minerals production commence after the year 2039.

Sincerely,  
The Breakthrough Institute