

Comment from Elemental Excelerator

Please find comments from Elemental Excelerator attached. We are a nonprofit climate tech investor that is working to scale climate technologies for the benefit of all communities. Elemental Excelerator has invested in over 150+ portfolio companies and deployed over 115 projects in communities, many of which are frontline and underserved communities. We have seen 25 successful exits from our portfolio (one of the highest rates in the nation) and our investments have catalyzed \$7B into climate tech. Our portfolio includes companies working on energy, mobility, water, circular economy, regenerative agriculture, and nature based solutions, touching a wide variety of the tax credits and other incentives included in the Inflation Reduction Act (IRA). We are responding to this Request for Comment to highlight the questions we are getting from our portfolio and to urge the IRS to issue swift guidance on how these credits will be evaluated and applied.



November 4, 2022

Re: Docket No. IRS-2022-0025, Request for Comments on Prevailing Wage, Apprenticeship, Domestic Content, and Energy Communities Requirements Under the Act Commonly Known as the Inflation Reduction Act of 2022 [Notice 2022-51]

Dear U.S. Internal Revenue Service,

Elemental Excelerator is a nonprofit climate tech investor that is working to scale climate technologies for the benefit of all communities. Elemental Excelerator has invested in over 150+ portfolio companies and deployed over 115 projects in communities, many of which are frontline and underserved communities. We have seen 25 successful exits from our portfolio (one of the highest rates in the nation) and our investments have catalyzed \$7B into climate tech. Our portfolio includes companies working on energy, mobility, water, circular economy, regenerative agriculture, and nature based solutions, touching a wide variety of the tax credits and other incentives included in the Inflation Reduction Act (IRA).

Since the passage of the IRA, we have seen incredible excitement along with an increasing volume of questions from our portfolio companies. Many of our companies are having difficulty understanding which tax credits they qualify for and how the bonus credits will be applied. We are responding to this Request for Comment to highlight the questions we are getting from our portfolio and to urge the IRS to issue swift guidance on how these credits will be evaluated and applied. Specifically, our portfolio companies are looking for clarity on the following requirements:

1. Domestic Content & Buy America

- a. We are getting many questions on guidelines about how domestic content will be determined for credits. Companies want to know how it will be determined. For example, the differences are significant between calculating domestic content by: % of total project material; % of total product; % of total project value; or, % of each individual component. Companies also want to know whether free trade areas such as Mexico and Canada are included in the domestic content definition. The guidelines around domestic content have a significant bearing on supply chain, manufacturing and assembly considerations for our companies, many of which are securing investment and trying to answer these questions right now or in the next few months. We recommend that the IRS set these guidelines in a manner that provides maximum flexibility to companies while encouraging growth of domestic manufacturing and supply chains where they exist and have the ability to scale. A determination that includes Mexico, Canada and other free trade areas and that is based on the % of total product or project value would advance those goals.



- b. For many of our startup companies, it will take time to meet these requirements. For others, the domestic supply chains and/or manufacturing capacity does not currently exist or is not at scale to support certain percentages of domestic content for particular products. We are getting questions from companies about the potential to phase these requirements in for certain technologies. For example, there is no US capacity to build specific transformers with domestic supply chains. We urge the IRS and Department of Treasury to assess what US industry looks like today and set standards that start to move supply chains back into the US but that do not slow the development and deployment of critical climate technologies and solutions in the next several years that we need to scale to meet the urgency of our climate goals. Standards that allow for phasing and ratcheting up of domestic content requirements over time would support immediate deployment, while encouraging onshoring or growth of domestic manufacturing and supply chains.
2. Energy Communities
 - a. Many of our companies want to know if the IRS, DOE, or EPA (or another agency) will be issuing a map designating which communities are considered energy communities? We urge the IRS (or a sister agency) to clearly map and designate energy communities so startups and the investors providing critical project finance can quickly understand if planned deployments are in an energy community. For equity reasons, we strongly recommend that the IRS specifically consider race in their definition and modeling of energy communities, following the successful examples of existing tools such as [CalEnviroScreen](#) and the [Climate and Economic Justice Screening Tool](#).
3. Timing:
 - a. Companies want to know if they will be able to retroactively apply bonus credits if they are in the midst of sorting out whether they qualify? For example, it may take time for companies to assess whether their supply chains comply with bonus credit domestic content requirements but they may qualify for a base credit. We strongly encourage the IRS to consider these questions and develop a process for the retroactive assessment of eligibility for and applying for bonus credits. This will encourage companies to move more quickly to deploy critical climate and energy projects than they might otherwise to increase domestic content of their products and projects

Without clarity on these requirements, climate startups in the Elemental portfolio are facing the following challenges:

1. **Delayed investment:** Many investors are asking companies for assurances that they will qualify for an ITC as a prerequisite for investment. Companies are not able to give a clear picture to investors until the questions above are answered.



2. **Delayed contract finalization:** Many customers and corporate partners are delaying the build of new infrastructure until they are certain they will be able to qualify for a PTC or ITC.
3. **Challenges forecasting and predicting growth:** Companies are currently challenged to predict long-term costs in the absence of clarity on their qualification for these credits.
4. **Delayed ability to adjust business model to meet the requirements for prevailing wage, apprenticeship, domestic content, and energy communities:** Many companies in our portfolio are early-stage and just beginning to build out their supply chains and workforce. Without clear guidance on these requirements, companies are at risk of unknowingly entering contracts, building supply chains or hiring workforce that don't comply.

We urge the IRS and Department of Treasury to move quickly (as you did with the excellent and early EV tax credit guidelines) to put out as much information as possible about how each credit is expected to be defined and applied. Alternatively or supplementally, it would help if the IRS put out an "expected timeline" for those guidelines to be released for each credit so that our companies can at least provide a timeline/roadmap to investors, corporate partners, and customers who need to make decisions about their own timelines.

We appreciate the time and thought the IRS is putting into developing this critical guidance and urge the IRS to act as expediently as possible to enable our climate technology companies to continue to push forward, securing private investment, finalizing contracts, forecasting for growth, and building a workforce and supply chain that tackles our climate crisis while also strengthens our domestic production and labor goals.

Sincerely,

Christina Angelides
Director, Policy Lab
Elemental Excelerator