



ROYAL NORWEGIAN EMBASSY

The Ambassador

Washington, 04.11.2022

Comments from Government of Norway Regarding Docket No. IRS-2022-0051, IRS-2022-0046, IRS-2022-0047 and IRS-2022-0049

The Government of Norway hereby submits comments regarding the economic incentives for a green transition in the Inflation Reduction Act (IRA).

Norway appreciates the high ambitions in the Inflation Reduction Act with a view of reaching critical climate change and green transition policy goals. Norway and the USA are long-standing partners and allies and the successful transition to a green economy is of vital importance for both our countries.

However, Norway is very concerned about certain elements of the IRA that discriminate against Norwegian products and producers based in Norway. Various economic incentives in the IRA are linked to requirements using US or North American materials and components, as well as to domestic production, severely disadvantaging Norwegian products in US value chains. Such restrictions will generally make it more difficult to utilize the tax credits in question and lead to a slower transition to a green economy than if foreign producers and imports were allowed to contribute. Moreover, the provisions appear to be in violation of the USA's WTO obligations.

Norway has facilitated the development of the global battery industry, including the US battery industry, through very strong tax incentives for the purchase of EVs, charging infrastructure and recycling. Norwegian tax incentives are open to all EVs irrespective of origin and have made a positive contribution to the development of American EV industry, for which Norway is an important market.

Norwegian companies are front-runners in the transition to a green economy. Norway is a leading producer of renewable energy and renewable energy technology, including offshore wind, a pioneer in developing Carbon Capture and Storage (CCS) technologies, we are developing a complete sustainable value chain for batteries, and we have promising conditions for hydrogen production across the entire value chain.

We therefore see many opportunities to work together with the USA in the green transition to a clean energy economy, mutually supporting sustainable and resilient supply chains across the Atlantic. However, we are afraid domestic content and production elements in the IRA will limit those opportunities. Norway asks that the United States avoids discriminatory treatment of Norway under the IRA.

We would also like to point to the fact that although the Norwegian economy is highly integrated into the European economy and part of European value chains, Norway is not a member of the European Union. Should the US and the EU find solutions regarding the concerns the IRA represents for European industry, it is of vital importance for Norway to be covered by such arrangements.

Norway would like to provide the following comments to the Notice 2022-0051, 2022-0046, 2022-47 and 2022-29.

a. Notice 2022-0051 – Domestic Content Requirements

Sections 45(b)(9), 48(a)(12), 45Y(g)(11) and 48E(a)(3)(B) of the Internal Revenue Code as amended by the Inflation Reduction Act provide domestic content requirements in order to qualify for bonus credit amounts under those sections of the Code.

These provisions discriminate against Norwegian products and Norway-based producers in favor of US-based producers by introducing domestic content requirements to qualify for the full tax credit. Norway asks for the removal of these discriminatory elements, allowing Norwegian products to qualify for bonus credits on a similar level as domestic producers.

Provision is made for the Secretary to grant exceptions in the case of excess cost or lack of availability in domestic supply chains (Section 45(b)(10)(D)(i)). Such an exemption process should be made as predictable and as efficient as possible. If the exemption application process is overly onerous, costly, or time-consuming it may act as a barrier to trade for Norwegian-sourced equipment and materials.

b. Notice 2022-0046 – Clean Vehicle Tax Credits

Section 30D of the Internal Revenue Code as amended by the Inflation Reduction Act provides new critical minerals requirements and battery component requirements.

Critical minerals must be extracted or processed in the United States, a country with which the United States has a Free Trade Agreement or recycled in North America, according to a percentage of the value of the critical minerals contained in the battery as prescribed by the Secretary, in order for the vehicle to qualify for the tax credit.

Norway does not have a Free Trade Agreement with the United States. Electric vehicles containing batteries with Norwegian minerals would therefore not qualify for the tax credits. Norway and the United States share strong economic links, Norway has recently joined the U.S.-led initiative Minerals Security Partnership, we are like-minded countries and long-standing allies. Norway would ask the United States to implement the IRA in such a way as to allow for minerals of Norwegian origin to qualify for IRA tax credits.

The requirement that battery components must be manufactured or assembled in North America, according to a percentage of the value of the components contained in the battery as prescribed by the Secretary, in order for the vehicle to qualify for the tax credit, discriminates against Norway-based producers of such battery components. Norway asks the United States to provide for an exemption from the production requirements, allowing vehicles containing Norwegian battery components to qualify for the IRA tax credits.

c. Notice 2022-49 and Notice 2022-47 – Certain Energy Generation Incentives and Energy Security Tax Credits for Manufacturing

Notice 2022-49 and Notice 2022-47 requests for comments to the implementation of i.e. the Clean Electricity Production Credit, the Clean Electricity Investment Credit, the Advanced Energy Project Credit and the Advanced Manufacturing Production Credit.

Norway is concerned that these credits, coupled with the aforementioned domestic content requirements, will attract investments and trade in relevant industries such as batteries, minerals and renewable energy to an extent that they will have a negative impact on investments in Norway.

Norway appreciates the opportunity to comment on the Inflation Reduction Act and relevant provisions of the law.

Yours sincerely



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