



Unlocking IRA incentives: Actionable strategies for small & mid-sized manufacturers

Nov. 14, 2024



Overview - The Inflation Reduction Act

What did this create?

Passed in August of **2022**

\$400B of federal investments

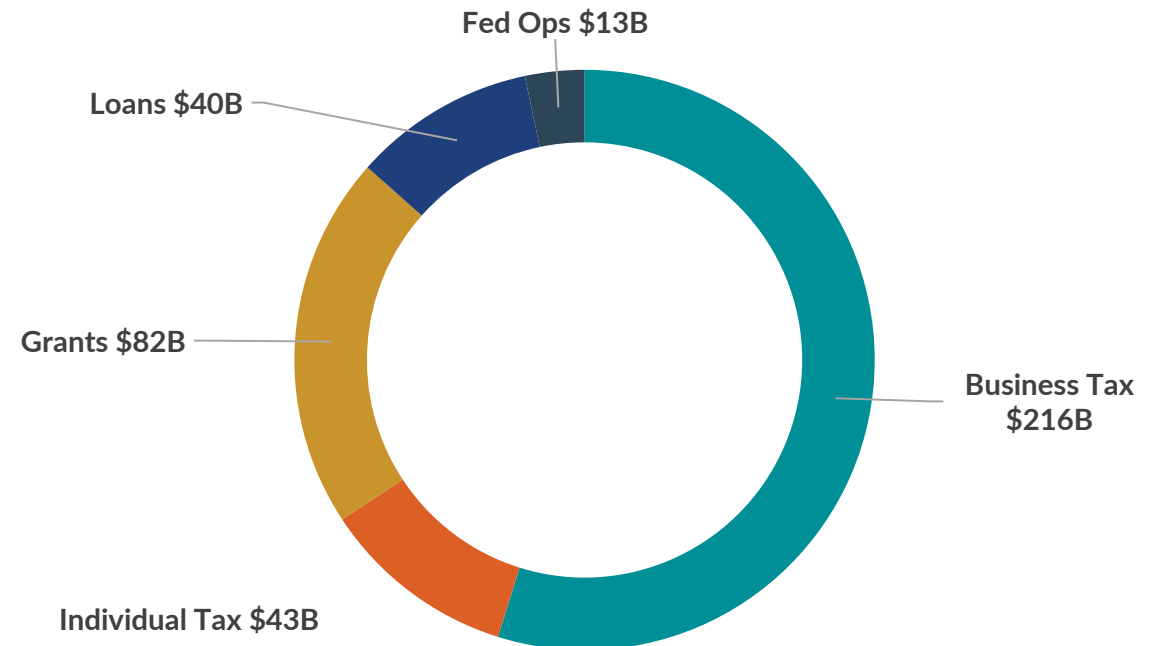
An ecosystem of credits and incentives supporting green energy technologies

Billions in additional funding for grants and loans to support the adoption of technologies and retrofit existing operations

Combination of **6 new and 14 modified tax credits** and incentives

Scale of the IRA - \$394 Billion (est.)

IRA funding by category














Post-election IRA overview: NAM's key takeaways



Impact of the IRA after 2 years

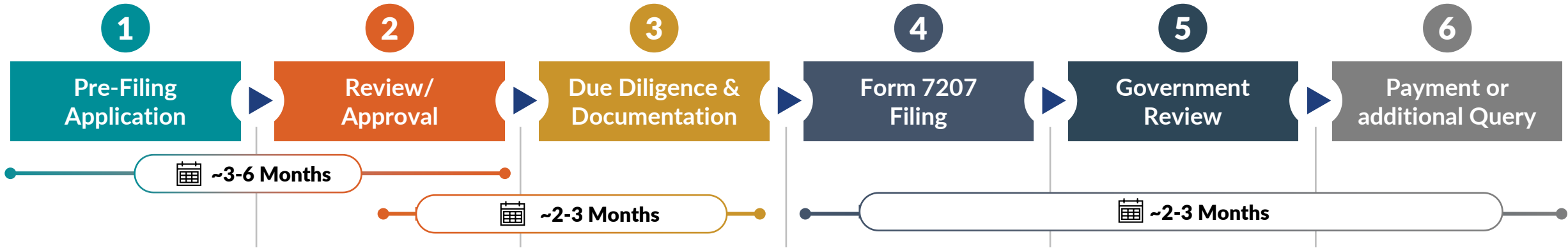
	Sector	Projects	Est. Investment	Est. Jobs
	Electric Vehicles	152	\$81.3 Billion	62,875
	Solar	80	\$14.7 Billion	26,090
	Battery/Storage	74	\$41.7 Billion	24,835
	Wind	24	\$4 Billion	3,252
	Hydrogen	18	\$6.1 Billion	3,528
	Grid, Transmission and Electrification	16	\$1.8 Billion	2,348
	Energy Efficiency	1	\$6 Million	200
	Biofuel	1	N/A	40
	Geothermal	1	N/A	N/A

45X trends and lessons learned



Timeline

Filing-to-payment timing



Activity

- The pre-filing application process should be made after start of production or ~6 months prior to filing tax return
- IRS issues I.D. number required to file for the 45X credit if making either an elective payment or transferability election

- Documentation generally starts after fiscal year close
- Credit qualification and quantification documentation
- Input to form 7207

- Filing of Advanced Manufacturing Production Credit (Form 7207)

- Most filings select the direct pay option vs transfer of credit (direct pay is only available for the first 5 years)
- Government pays the funds under the direct payment election in 2-3 months.

Credit sharing

Sharing the economic benefit of the credit

Percentage is separately negotiated

How can a business best position itself in this situation?

- Documentation
- Net of fees
- Volume
- Claw back provision

Pre-filing application



PROCESS



TIMING



NUANCES

Most IRA credits are being monetized via elective payment or transferability

- Elective payment – allows eligible entities to receive direct payment
- Transferability – allows eligible taxpayers to sell their credits

Monetization Considerations



General Business Credit

- Tax appetite
- Don't want to start the 5-year elective payment window
- Utilization timeline



Elective pay

- Lack of tax appetite
- Cognizant of 5-year elective payment window
- Access to funds



Transferability

- Lack of tax appetite
- Access to funds
- Due diligence required
- Discount on ROI



Opportunities

	Solar Components	Solar Components
Revenue	\$300M	\$220M
Eligible component sales	\$3.2M	\$67M
45X credit	\$720K	\$31M
Credit as % of sales	22.5%	46.2%
Result	Aggressively marketing capabilities related to the design, engineering, and manufacturing of structural fasteners for the solar industry	Constructing a second facility to meet current demand and create capacity for future demand



45X Final regulations

1

**Minor
Assembly**

2

**Assembly
of modules**

3

**Secondary
Production**

4

**Applicable
Minerals –
materials cost
inclusion**

Federal loan funding opportunities



Department of Energy: Loans programs

Advanced technology vehicles manufacturing (ATVM)

Total funding allocation: \$40B

Focuses on vehicle electrification and component suppliers, eligibility requirement – 25% improvement over the 2005 CAFÉ standards

\$24B

Awarded or Committed

50–80%

Maximum loan of full project cost

~4.2%

10-year U.S. Treasury Rate

Included projects



Light medium & heavy-duty vehicles



Maritime vessels



Aviation



Other forms of transport

Title 17

Total funding allocation: \$300B

Provides loan guarantees for projects that support clean energy deployment and energy infrastructure reinvestment in the United States

\$29B

Awarded or Committed

50–80%

Maximum loan of full project cost

~4.2% | +.375% |

+ Risk Based
Financing rate

Project categories



Innovative energy



Innovative supply chain



State energy financing institution

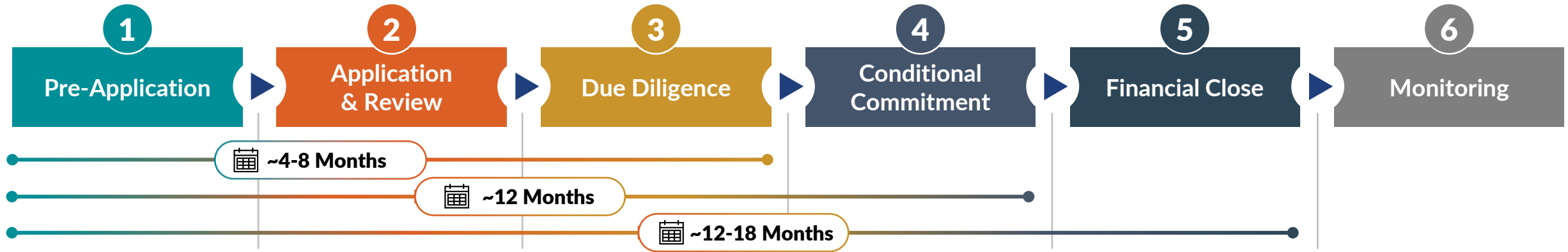


Energy infrastructure reinvestment



Loan Program Office Loan Application Process

Application Process Timing



Activity

LPO meets with applicant to discuss:

- Project eligibility
- Application process
- Applicant questions

- LPO establishes project eligibility and readiness to proceed, followed by programmatic, technical and financial evaluation

- LPO and applicant engage third-party advisors and negotiate term sheet
 - Technical
 - Financial
 - Market
 - Environmental

- LPO offers term sheet for loan or loan guarantee. The offer is contingent on borrower satisfying certain conditions

- LPO and borrower execute definitive financing documents, subject to additional conditions precedent to loan disbursements

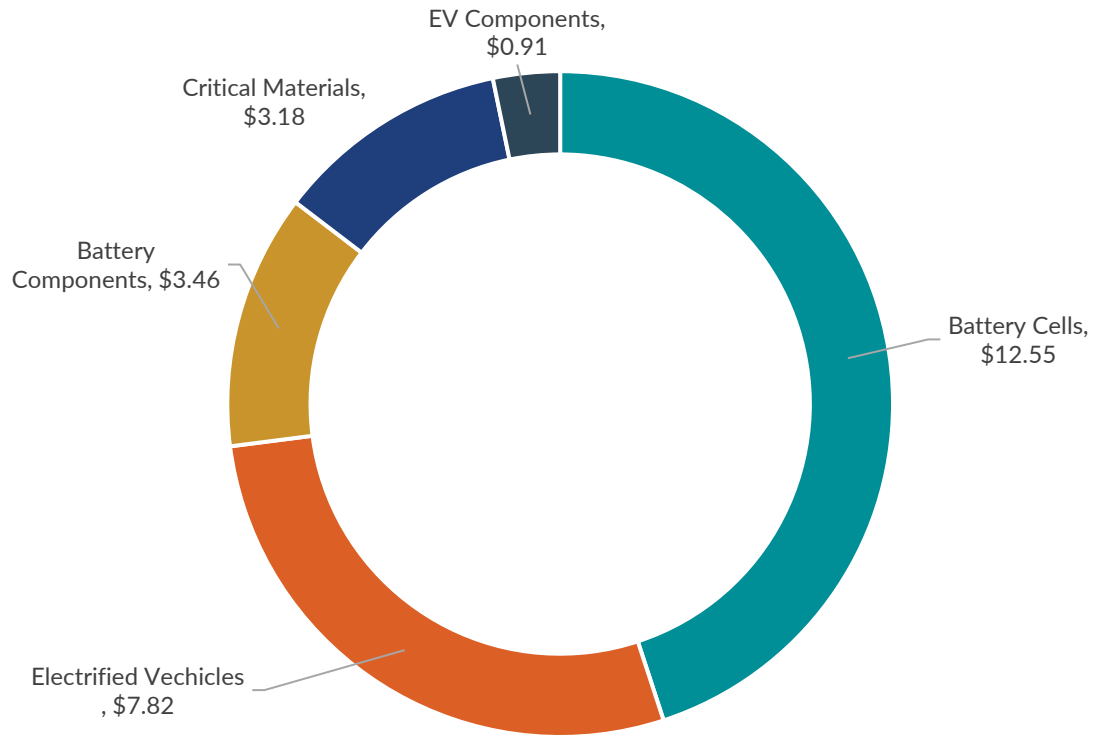
- LPO monitors project and acts as trusted partner for the life of the loan, acting in the best interest of the U.S. government and taxpayers



Overview – Loan Program Funding

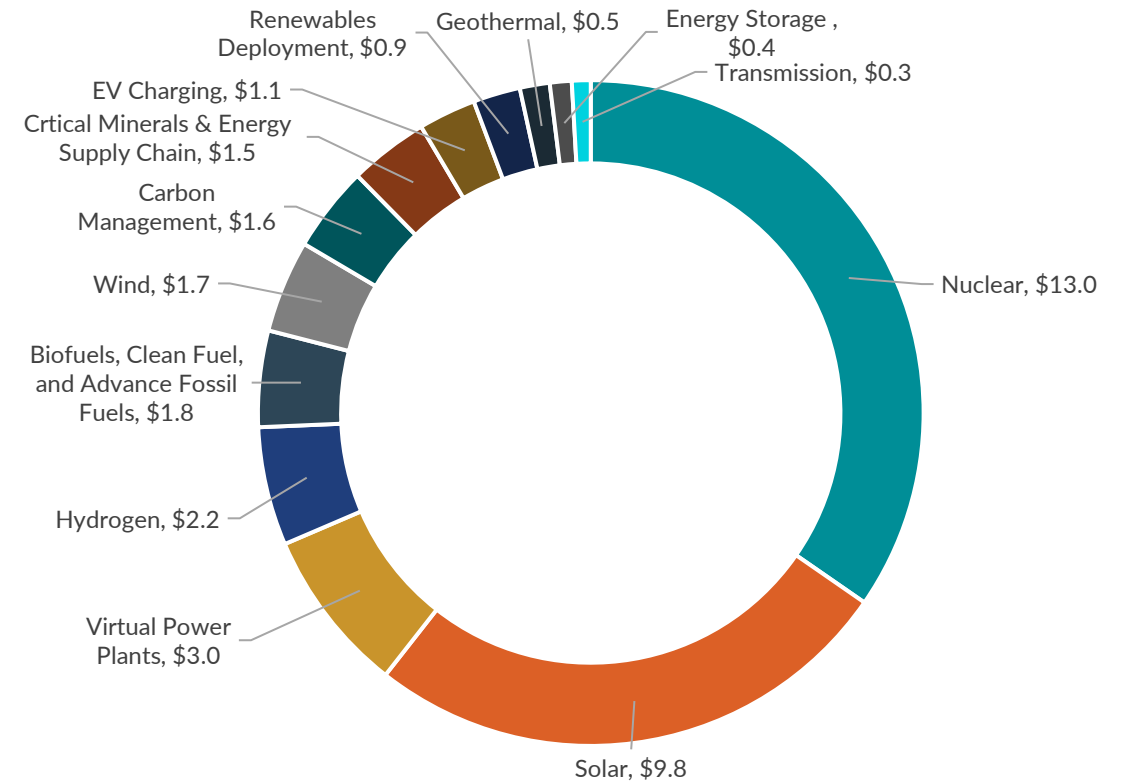
ATVM Funding- \$27.9 Billion (est.)

ATVM funding by category



Title 17 Funding- \$37.5 Billion (est.)

Title 17 funding by category



Grant funding opportunities



Bipartisan Infrastructure Law: Grant opportunities

Battery Materials & Processing (MESCB) BIL Section 40207

Total funding allocation: \$7B (\$3B awarded)

Established to strengthen and secure manufacturing and energy supply chains needed to modernize the nation's energy infrastructure and support a clean and equitable energy transition.

Expected funding rounds

January 2024 | December 2024 |
March 2025 | October 2025

50%

DOE cost share of full project cost

5

Five-year investment 22-26

Targeted supply chain segments



Raw materials production



Materials processing



Component manufacturing



Battery cell & pack manufacturing



End-of-life

Round 1 & 2 Awarded

Round 3 NOI To be Released in December 2024



Bipartisan Infrastructure Law: Grant opportunities

Electric Drive Vehicle Battery Recycling and Second Life Applications (EERE) BIL Section 40208

Total funding allocation: \$70M

Established to advance the development of recycling, establish demonstration projects domestically, and improve economics of battery recycling to enable profitability.

Funding rounds

July 19, 2022: \$74M | Feb. 7, 2024: \$37M |
Expect to be 1-2 additional rounds

20 - 50%

DOE cost share of full project cost

3-4

Year Performance Period

Areas of Interest

LFP

\$22M

Improving the Economics of Recycling LFP Li-ion Batteries



\$18M

Improving the Recovery and Re-use of Electrolyte Components from Batteries



\$18M

Upcycling and Improving the Value of Recovered Materials from Electric Drive Vehicle Batteries (graphite, manganese, and polymer components,)



\$12M

Demonstrating Improved State of Health (SOH) Evaluation and Safety for Second-Use Applications of Electric Drive Vehicle Batteries

Round 1 & 2 past
Round 3 FOA To be released in December 2024



Grant application process



Concept paper criterion (5–15 pages maximum)	Criteria weight
Technology merit, innovation, & supply chain impact	25%
Financial & commercial market viability	25%
Project workplan, management team, & partners	15%
Cost share	10%
Job quality & just transition plan	10%
Labor & community benefits	15%



Key to success for funding

For companies to be successful, a comprehensive business plan needs to be developed detailing the following:

Company overview

Overall company description, location strategic partners, key leadership



Project plan

Key risk factors, milestones, feasibility, site selection, community benefits, operating plan



Product technology

Product or process technology, commercial viability/readiness, materials inputs, and technical qualifications and resources



Addressable market

Market size and growth opportunities, risk analysis and mitigation, supply chain impact



Commercial & market plans

Market strategy, product positioning, sales projections, competitive landscape, customer relationships



Financial viability

Financial plan, management experience, total project costs, overall financial strength



Capital structure

Ownership description, funding plans, sources of equity, loan/grant amount requested



Additional requirements

Community benefit, compliance, environmental studies, certifications, permits, additional incentives (state and local governments)



Our key service offerings

Plante Moran offers customized solutions focused on meeting the funding needs of our clients, including the following:

Business plan development	Corporate real estate	Funding strategies & federal loan and grant application advisory support	Tax services & consulting
<p>Our strategy team has the capabilities to guide our clients in developing a comprehensive business plan needed to support our client funding strategies.</p> <ul style="list-style-type: none"> • Business overview & growth opportunities • Product/technology differentiation • Project overview & timeline • Supply chain & manufacturing strategy • Customer uptake & sales pipeline • Detailed financial modeling & financial business case • Capital growth needs 	<p>Plante Moran Realpoint offers comprehensive, end-to-end services, including real estate consulting, transactions, capital projects, and development advisory. With over 125 professionals with deep industry specialization, we work together ensuring our clients make better real estate decisions</p> <p>REAL ESTATE STRATEGY</p> <ul style="list-style-type: none"> • Real estate strategy • Capital project planning & due diligence • Site selection • Incentives & tax credit programs • New constructions or renovations • Sale-leaseback of owned property • Financing for capital needs • Lease negotiation/renewals • Lease expirations: 3 years • Real estate portfolio management • Subletting opportunities • Real estate disposition for owned assets 	<p>PREAPPLICATION CONSULTATION</p> <ul style="list-style-type: none"> • Funding opportunity identification • Program eligibility review • Pre-application readiness assessment • Program & application process advisory services <p>PREAPPLICATION BUSINESS PLANNING</p> <ul style="list-style-type: none"> • Develop of business case & project definition • Evaluate commercial viability • Detailed monthly financial model & NPV • Addressable market size analysis • Develop application & narrative • Project benchmarking <p>APPLICATION SUPPORT</p> <ul style="list-style-type: none"> • Program management • Documentation development updates, communication & feedback between client funding sources • Due diligence process advisory support • Negotiation support <p>POST-APPLICATION PROJECT SUPPORT</p> <ul style="list-style-type: none"> • Reimbursement submission process development • Support reporting based on DOE agreement & metrics required • Project execution support: Manufacturing processes, supply chain, technology implementation etc. 	<p>Plante Moran's experienced team of tax specialists brings a thorough understanding of relevant codes, regulations, and administrative guidance on a wide range of tax incentives and offers services to fit your specific needs and help you navigate complexities.</p> <p>REAL ESTATE STRATEGY</p> <ul style="list-style-type: none"> • IRA tax credit consulting • Advanced manufacturing tax credits • Renewable energy tax credits • Research & development (R&D) tax credit • Cost segregation • Employee retention credit • Fixed asset consulting • New Markets Tax Credits • Opportunity zones • Transfer pricing • International tax • State & local tax



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Thank you