

PUBLICATION

DOE Clarifies Priority Projects and Selection Criteria in New Guidance for the 48C(e) Advanced Energy Project Credit

June 01, 2023

As an update to our prior alert on this subject the Treasury Department recently released new guidance, which critically outlines the Department of Energy's (DOE) priorities and technical review criteria for the 48C(e) program. This comes after the February guidance for this program. The Section 48C(e) Advanced Energy Project Credit, provided by the Inflation Reduction Act (IRA), is a tax credit program that acts as a competitive grant. Administered by the Treasury Department and the DOE, the program offers up to \$10 billion in tax credits for up to 30 percent of the amount invested in projects related to greenhouse gas emission reduction, clean energy manufacturing, and critical material production.

For consideration for Round 1 of the § 48C(e) program, taxpayers must submit concept papers to the DOE between May 31 and July 31, 2023. The Treasury Department anticipates allocating \$4 billion of 48C(e) credits with approximately \$1.6 billion to projects in certain energy communities.

Manufacturers seeking the credit should consider consulting advisors to:

1. Assess project eligibility.
2. Assess the project timeline.
3. Consider criteria the DOE will weigh in determining the project's ranking.
4. Review or help draft concept papers.

Eligible Projects

For a full list of eligible projects, please see our prior alert [here](#) and consider the DOE priority areas listed below.

To receive a 30 percent bonus credit rate, taxpayers must pay workers the prevailing wage for five years after the project is placed into service and satisfy the apprenticeship requirements during the project's construction.

DOE Priority Areas for Round 1

The DOE is ultimately responsible for determining which projects are selected for tax credit distributions. The DOE will review the submitted concept papers and send the taxpayer a letter encouraging or discouraging the submission of a full application. They will then rank projects based on priority. The DOE has its outlined the following priorities:

1. Priority Areas for Clean Energy Manufacturing and Recycling Projects:

- **Clean Hydrogen:** Manufacturing of electrolyzers, fuel cells, and associated components (including gas diffusion layers, bipolar plates, and power electronics).
- **Electric Grid:** Manufacturing of transformers, materials (including electrical steel, amorphous alloy), power electronics, and other grid components and equipment (including MVDC/HVDC converter

station components and switchgears).

- **Electric Heat Pumps:** Manufacturing of air-source or ground-source heat pump components and infrastructure, particularly reversing valves, control circuits, compressors, and heat exchangers.
- **Electric Vehicles (EV):** Manufacturing of power electronics (including semiconductors, modules, and circuits for EV motor traction drives, on-board EV chargers, DC/DC converters, and EV charging stations), permanent magnets, and battery components for use in electric vehicle motors.
- **Nuclear Energy:** Manufacturing of specialized components and equipment for nuclear power reactors or their fuels (including fabrication of fuels, and manufacturing of equipment for conversion, enrichment, and deconversion), for both existing reactors and new reactor deployments.
- **Solar Energy:** Polysilicon, wafer production facilities, ingot and wafer production tools, and solar glass production facilities.
- **Sustainable Aviation Fuels:** Manufacturing of equipment needed for low-carbon aviation fuel production (including feedstock handling equipment and pre-treatment reactors).
- **Wind Energy:** Component production facilities and specialized steel production, particularly for offshore wind, such as monopile-grade steel and towers; recycling of wind components, particularly blades.

2. Priority Areas for Greenhouse Gas Emissions Reduction Projects:

- Priority will be given to projects that deeply reduce emissions to levels significantly below a reasonable domestic industry average and the 20 percent reduction eligibility requirement.
- Priority will also be given to projects that advance the commercial viability and uptake of replicable decarbonization efforts in major industrial applications (e.g., cement, iron and steel, aluminum, chemicals, and other energy-intensive manufacturing sectors).

3. Priority Areas for Critical Material Projects:

- DOE is tentatively proposing the following draft list of critical materials that can be found [here](#).
- Additional critical materials may be included as determined by the Secretary of Energy. The DOE has issued a [Request for Information](#) (RFI) input to improve upon DOE's Critical Materials Assessment for energy-critical materials. Responses are due on June 20, 2023.

DOE Technical Review Criteria

The DOE selection process for the concept paper is based on the following four technical review criteria. These sub-criteria differ by the eligibility categories specified in Appendix B of the guidance. The following represents criteria for Clean Energy Manufacturing and Recycling Projects:

5. **Commercial viability:** This section should include a project summary, project timelines, the status of siting and permitting requirements, a short risk management plan, a short management plan, a short business plan describing the sources of financing, a short market assessment, and descriptions of key project costs

6. **Greenhouse gas (GHG) emissions impacts:** This section should include an evaluation of end-use application of the facility's products whether that will independently or as part of a larger specified advanced energy product, avoid or reduce GHG emissions. This section should also include a quantitative analysis of product performance, if applicable, along with GHG emissions from the facility and any attempts to mitigate GHG emissions.
7. **Strengthening U.S. supply chains and domestic manufacturing for a net-zero economy:** This section should include an assessment of the annual output of the facility and how that output enhances U.S. manufacturing capability. It should also describe the inputs needed for the facility and how the facility's products will help build resilience of domestic supply chains.
8. **Workforce and community engagement:** This section should include the number of jobs created and a plan for contributing to job creation and ensuring project viability, timely completion, and ultimate success by fostering a stable and supportive workforce and host community. Notably, this will include any partnerships with apprenticeship readiness programs, or community-based workforce training and support organizations.

Critically, the program allocates at least \$4 billion and as much as \$6 billion for qualifying "Energy Community Census Tracts" projects, so projects located in these tracts will be much more competitive. An applicant will be able to determine whether their project is in an Energy Communities Census Tract using a mapping tool found [here](#).

The DOE may consider prioritizing projects not eligible for support from other programs funded by the Infrastructure Investment and Jobs Act (Public Law 117-58) or the Inflation Reduction Act of 2022 (Public Law 117-169). The DOE will also weigh whether an applicant has connections to a foreign country of risk.

The concept papers are short and must include the following:

Table: Files Required for Concept Paper Submission

Component	File Format	Maximum Pages
Concept Paper	PDF	4
Concept Paper Workforce and Community Engagement Plan	PDF	1
Concept Paper Data Sheet	MS Excel	N/A

Timeline

For a more detailed timeline, please see our prior alert [here](#). Applicant should consider these key deadlines:

Initial guidance issue date	2/13/2023
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DOE posts proposed list of critical materials	No later than 5/31/2023
Additional guidance issue date	5/31/2023
Informational webinar	No later than 6/30/2023
DOE eXCHANGE Portal opens for registration and concept paper submission	No later than 6/30/2023
DOE posts final list of critical materials	No later than 7/31/2023
Submission deadline for concept papers	7/31/2023 by 12:00 PM (noon) Eastern Time (ET)
Submission deadline for § 48C(e) applications	Fall 2023 – Winter 2023
IRS allocation decision notifications	No later than 3/31/2024

If you have any questions or would like more information, please reach out to any member of Baker Donelson's [Government Relations and Public Policy](#) team.