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The Atheva

Seller’s Guide

A Comprehensive Guide for Project Developers on Tax Credit Transferability

Tax Credit Transferability

The Ability to Sell Renewable Energy Tax Credits

Selling clean energy tax credits through transferability allows companies that generate tax credits from renewable energy projects to sell these credits to other companies or HNW individuals with positive income.

At the federal level in the United States, the Inflation Reduction Act of 2022 allows clean energy project developers to transfer eligible tax credits, making it easier for entities with limited tax liability to benefit from their credits.

KEY RESOURCES:

- Final Regulations: Transfer of Certain Credits
- IRS Registration to Transfer Credits
- Atheva Blog Post: How can Project Developers sell their tax credits?

Before Tax Transferability, Financing Options Were Limited

Tax credit transferability enables the monetization of clean energy credits and expands financing options for clean energy projects.

Historically, the IRA's federal tax credits were not transferable. This meant that project developers without high tax liability were unable to utilize the full potential of their credits. Selling transferable tax credits (TTCs) is a new way for renewable energy project owners to monetize their credits and is an alternative to traditional, complex tax equity partnerships.

As the number of renewable energy projects continues to grow, this creates more financing options for projects and allows businesses in all sectors to buy tax credits to support clean energy while reducing their tax liability. It's a win-win for all companies and helps accelerate the renewable energy transition.

OVERVIEW

Project Funding Options

	POSITIVES	NEGATIVES
Tax Credit Transferability	Increases liquidity and flexibility; allows projects to monetize tax credits.	This may involve legal and administrative work for qualification and due diligence
Tax Equity Financing	Provides significant upfront capital; investors receive tax benefits.	Complex structuring; high transaction costs; loss of control/shared ownership.
T Flip Partnerships	Enables monetization of tax credits; flexible partnership structure.	Requires careful structuring; loss of control/shared ownership.
Power Purchase Agreements (PPAs)	Provides long-term revenue certainty; reduces market volatility.	May limit project flexibility; depends on the creditworthiness of the off-taker.
Green Bonds	Access to large capital pools; supports a wide range of projects.	Interest rate risk; potential for lower returns compared to equities.
Loan Guarantees	Reduces lender risk; improves access to credit.	Complex application process; limited to specific types of projects.
Crowdfunding	Good source of non-dilutive capital that engages a broad base of investors; promotes community involvement.	Typically small amounts raised that may not cover the total amount of capital required; can be challenging to manage.
Grant Funding	Non-repayable funds that can significantly reduce the capital requirements for the project. Often available for innovative projects, particularly those with a strong sustainability component or social impact.	Competitive application processes with no guarantee of success. May come with specific requirements or reporting obligations that could restrict project flexibility.
Renewable Energy Certificates (RECs)	May generate additional revenue streams by selling RECs to companies or utilities needing to meet renewable energy standards. Supports the financial viability of the project by monetizing the environmental attributes of the energy produced.	Prices for RECs can be volatile and depend on market conditions and regulatory environments. May require additional administrative work to certify and track the certificates.
Bridge Financing	Offers short-term capital; helps prevent delays due to gaps in funding and facilitates project continuity.	Higher interest rates; short-term repayment timelines may not suit all projects.

MEET ATHEVA

We're on a mission to streamline and expand access to clean energy financing through tax credit transferability, helping every company contribute to a net zero future.

Atheva's team of experts partner with you to help maximize net outcomes when selling your tax credits and support you throughout the entire process. Our managed marketplace and tailored approach allow us to deliver the best match for companies and the best economic return.

Eligible Credits

for Tax Transferability

There are two primary types of clean energy tax credits in transferability transactions: Investment Tax Credit (ITC) and Production Tax Credit (PTC).

CLICK HERE for the full list of 11 eligible clean energy credits in the Internal Revenue Code: Section 6418.

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ELIGIBLE CREDITS

Investment Tax Credit (ITC)

The ITC provides a credit for a percentage of the cost of installing renewable energy systems.

- **Eligibility:** Solar energy systems, fuel cells, small wind turbines, geothermal systems, microturbines, and combined heat and power systems.
- **Credit Value:** The ITC typically covers 26% to 30% of the installation costs, depending on the year the project begins construction. This can increase to up to 70% depending on the inclusion of applicable adders.
- **Usage:** The credit can be claimed in the year the system is placed in service, reducing the entity's tax liability.

ITC CREDITS

Section 48: Investment Tax Credit

This is the primary ITC, covering investments in solar, wind, geothermal, fuel cells, microturbines, combined heat and power systems, and other qualifying energy projects.

Section 48C: Advanced Energy Project Credit

Provides credits for projects that re-equip, expand, or establish manufacturing or recycling facilities for clean energy technologies, including renewable energy components, energy storage systems, and critical mineral recycling. Originally part of the American Recovery and Reinvestment Act, this credit focuses on promoting advanced energy manufacturing and recycling.

Section 48E: Clean Electricity Investment Credit (starting 2025)

A new technology-neutral investment credit for electricity generation facilities that produce clean energy and achieve net-zero greenhouse gas emissions, specifically targeting technologies that reduce greenhouse gas emissions.

Section 48D: Qualifying Advanced Energy Project Credit

Credits for projects that support the advancement of energy storage technology and infrastructure. This credit aims to foster the development and deployment of technologies that enhance energy efficiency and storage capabilities.

Section 30C: Alternative Fuel Vehicle Refueling Property Credit

Provides credits for installation of infrastructure that supports alternative fuel vehicles, such as electric and hydrogen vehicles.

ELIGIBLE CREDITS

Production Tax Credit (PTC)

The PTC offers a per-kilowatt-hour (kWh) tax credit for electricity generated by renewable energy resources.

- **Eligibility:** Wind, geothermal, biomass, landfill gas, municipal solid waste, qualified hydropower, and marine and hydrokinetic energy facilities.
- **Credit Value:** The credit amount varies by resource and is adjusted for inflation. For example, wind projects may receive around 2.5 cents per kWh.
- **Usage:** The credit is typically available for the first ten years of operation of the renewable energy facility, providing ongoing tax benefits as the facility generates electricity.

PTC CREDITS

Section 45: Production Tax Credit (PTC)

Provides a per-kilowatt-hour (kWh) tax credit for the production of electricity from renewable resources such as wind, biomass, geothermal, landfill gas, municipal solid waste, hydropower, and marine/hydrokinetic energy.

Section 45Y: Clean Electricity Production Credit (starting 2025)

A new technology-neutral production credit that supports the generation of clean electricity with low or zero greenhouse gas emissions. Applicable to any facility that produces electricity and meets specific emissions reduction criteria, regardless of the technology used.

Section 45Q: Carbon Capture and Sequestration Credit

Credits for capturing and securely storing carbon dioxide emissions from industrial and power facilities, incentivizing technologies that reduce greenhouse gas emissions. The credit amount varies based on the method of sequestration.

Section 45V: Clean Hydrogen Production Credit

Provides credits for the production of clean hydrogen using methods that significantly reduce greenhouse gas emissions compared to traditional hydrogen production. The credit amount depends on the carbon intensity of the hydrogen produced.

Section 45X: Advanced Manufacturing Production Credit

Incentivizes the domestic production of critical components used in renewable energy and energy storage technologies, such as solar panels and wind turbine components.

Section 45Z: Clean Fuel Production Credit

Offers credits for the production of transportation fuels that have lower greenhouse gas emissions, supporting the development of cleaner fuel technologies.

ELIGIBLE CREDITS

Qualifications to Sell

To sell eligible clean energy tax credits, a company must meet several qualifications:

- **Project Completion:** The clean energy project generating the credits must be completed and operational. Solar projects must be placed in service (PIS) or reach the commercial operation date (COD) to qualify for the ITC.
- **Proof of Ownership:** The seller must provide documentation proving their ownership of the tax credits and confirm that the credits have not been previously used or transferred.
- **Compliance:** The project must comply with all relevant regulations, including environmental laws and any conditions tied to the issuance of the tax credits.
- **Certification and Audits:** Some jurisdictions may require certification or third-party audits to verify the validity and amount of the credits.

COMMON QUESTION

Is individual solar eligible for transferability?

Unfortunately, tax credits owned by individuals, such as the Residential Solar Tax Credit (Section 25D) generated by homeowners, are not eligible for transferability under current federal tax law.

Recommended Reading

2024 Guide to Solar Incentives and Rebates for Homeowners

GETTING STARTED

Are you ready to sell?

Download the Atheva Checklist

Before your credit can be marketed and sold, you first need to ensure you can answer and provide supporting documentation for the **basic qualification questions** below. Once you have these items you can work with Atheva to market your credit to compatible buyers.

1

Who owns the tax credits?

Detail: Is the owner an individual or company? Do you have confirmation that the owner will not sell the project within the 5-year recapture period?

Supporting Evidence: Operating Agreement, Site Control / Title, Entity Ownership Agreements, Partnership, Sale, or Lease Documentation, Organizational chart

2

What is the type of tax credit?

Detail: Is the credit an ITC or PTC? What section code? Do you have a project description? Where is it located and what is the production capacity?

Supporting Evidence: Project Teaser Sheet, Third-party Legal Opinion, Third-party Tax Opinion

3

What amount of credits is your project eligible for?

Detail: How was it calculated (cost basis vs. fair market value)? Who completed the calculations? Do you qualify for any adders?

Supporting Evidence: Third-party Appraisal, Cost Segregation Report, IRS Tax Credit Certificate

4

What stage of development is the project in?

Detail: Do you have site control or notice to proceed (NTP)? Have you broken ground? Is the project financed? What is the tax credits role in financing? When are you expecting to realize your tax credits? Is it in service? What's the offtake structure?

Supporting Evidence: Project Financial Model, Loan agreements, Interconnection Agreements

5

When will your project be placed in service?

Detail: What milestones are you expecting to reach by when? How are you ensuring this timeline? What risks are there to completion? What mitigants are in place to stay on track?

Supporting Evidence: Statement of Qualifications, Project Plan with Milestones, Financial Models, Permission to Operate, Placed-in-Service Certificate, Engineering Report, O&M Agreements, Production Schedule (PTC)

6

What buyer protections are you able to offer?

Detail: Are you including insurance? Indemnifications? Parent company guarantee?

Supporting Evidence: Binding Tax Credit Insurance Policy, Seller & Parent Financials, Indemnity Language

GETTING STARTED

The Process of Selling Credits

After you meet the qualification criteria, you can start the process of marketing and selling your credit. The timeline for tax credit transferability can vary depending on several factors, including the complexity of the transaction and each party's preparedness.

Here's a general outline of the stages involved at Atheva:

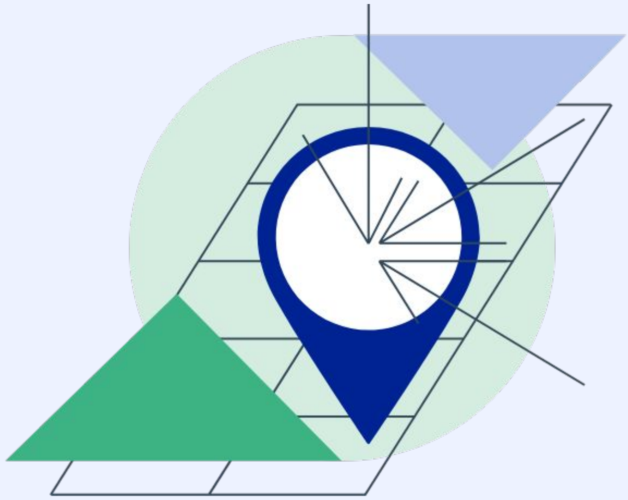
PHASE I Goal Review & Match	PHASE II Share & Transact	PHASE III Exchange
After you can answer the qualification questions, you are ready to start Phase I of selling your tax credits. • Deal criteria and goals • Credits marketed • Parties sign NDA	Once matched, you start Phase II, which involves a thorough examination of the financial, legal, and tax implications of the transfer. • Share documents • Due diligence • Term sheet signed	After due diligence is completed and any issues are resolved, the transfer can be finalized and closed. • Credit registered • Credit Sales Agreement signed • Payments made

YOUR TRUSTED PARTNER

How Atheva Helps

At Atheva, we understand the pressure and urgency to finance your projects. That's why we provide an easy, streamlined credit transfer process from match to deal close. From the start, you'll have a dedicated specialist helping you connect with the right professionals, navigate current market dynamics, and help set up your credit sale for success.

We aim to make it a seamless process, providing you with buyer needs upfront and having a library of template documents including a credit sales agreement you can leverage.



Deal Dynamics

in Tax Transferability

Tax credits are typically sold at a discount to face value to attract buyers who assume the risk and effort of utilizing them. Discounts can range from 5% to 30% or more, depending on market conditions and specific credit attributes.

Sellers with high-quality, in-demand credits may have more leverage in negotiating favorable prices. Buyers with strong purchasing power or strategic interests may negotiate deeper discounts.

As the market matures, increased transparency and standardization could lead to more predictable pricing.

Want to make your credit more attractive?
Read our [blog post] on the top things you can do to maximize your credit value.

DEAL DYNAMICS

Factors in Credit Pricing

Supply and Demand

- Supply is influenced by the number of clean energy projects generating credits and their eligibility for transferability.
- Demand is driven by corporations and financial institutions looking to reduce tax liabilities and enhance sustainability profiles.

Market Conditions

- Economic downturns or upturns can affect the willingness of buyers to invest in credits. In addition, changes in tax policy or incentives can impact market demand and pricing.

Size of the Credit

- On average, larger non bundled credits offer a better return for diligence effort and cost.

Technology Type

- Emerging technologies are seen as riskier because they haven't been transacted as frequently. Buyers tend to be more comfortable with technologies that are most familiar.

Credit Quality, Terms, and Risk Coverage

- Different credits (ITC, PTC) may have varying values based on market demand and eligibility criteria.
- Credits closer to expiration may be discounted, while those with longer validity can command higher prices.
- Specific requirements or restrictions on credit use can affect pricing.
- Inclusions such as insurance and third-party opinions can reduce risk factors and greatly impact pricing.

Transaction Costs

- Legal, administrative, and broker fees associated with ensuring compliance and transfer documentation can impact the net outcome of a sale for Sellers.

Transaction Calculator

Use the Atheva calculator to estimate seller proceeds, seller costs, and buyer ROI in a tax credit transferability transaction.

GO TO THE CALCULATOR

DEAL DYNAMICS

Increasing Value with Bonuses

Bonuses and adders are additional incentives layered on top of the base tax credits available for renewable energy projects. These enhancements are designed to encourage specific types of development, such as projects that incorporate advanced technology, create jobs, or are located in underserved communities.

The Inflation Reduction Act has a range of adders and bonuses that can significantly increase the value of credits, making them more attractive to buyers. These incentives not only boost financial returns but also align projects with broader social and environmental goals, creating a win-win situation for developers, investors, and communities alike.

A project can qualify for multiple bonuses if it meets the specific criteria under each adder/bonus. For example, a project in a low-income community using domestic materials and meeting labor standards could receive multiple bonuses. Developers should factor in the application process, deadlines, and specific documentation requirements to claim these bonuses, as guidelines may evolve.

Domestic Content Bonus

IRS link

Projects using a significant amount of American-made materials can qualify for additional credits. New guidance regarding the domestic content bonus credit makes it easier to take advantage of the 10% domestic content bonus tax credit.

Prevailing Wage + Apprenticeship

IRS link

Projects meeting specific labor standards, such as prevailing wage requirements and apprenticeship targets, can qualify for additional credits. Meeting these requirements offers a 5-10% credit increase, incentivizing job creation and skill development within the renewable energy sector.

Low-Income Community Bonus

IRS link

Developers who build projects in low-income communities or for low-income households can register to receive enhanced credits. This bonus provides an extra 10-20% credit, which can significantly improve the financial feasibility of projects targeting underserved areas.

Energy Community Bonus

IRS link

Projects located in designated energy communities, such as areas adversely affected by the decline of fossil fuel industries, can earn extra credits. This bonus offers an additional 10% credit, helping to revitalize local economies and making these projects particularly appealing to socially conscious investors.

DEAL DYNAMICS

Creative Selling Options

Selling clean energy tax credits can be enhanced through creative options that maximize value and attract a wider range of buyers.

Here's a short overview of some innovative strategies:

Bundling of Credits

Strategy: Combine tax credits from both residential and commercial projects to create attractive packages for buyers looking to diversify their holdings.

Benefits: This approach can appeal to larger buyers who want to make a single purchase that covers a variety of project types and scales at a higher price point. The credits would be from a single owner and would most likely have consistency in the development process.

Forward Contracts

Strategy: Agree to sell tax credits at a future date for a predetermined price to help provide certainty on pricing for both sellers and buyers.

Benefits: Allows project developers to proactively secure buyers on future credits, enhancing cash flow predictability and reducing exposure to market volatility. It also gives buyers an advantage in the increasingly competitive market and may allow for larger discounts.

Auction Feature on Atheva Marketplace

Strategy: Utilize the auction bid feature to sell credits to the highest bidder.

Benefits: Increases transparency in pricing and allows for real-time competition among buyers, potentially driving up prices.

Let's Connect

Consult with Atheva to determine the best approach and strategy to sell your tax credits. **Fill out the form** on our website and our team will be in touch to schedule a call.

Buyers
for Tax Transferability

The market for clean energy tax credits is primarily composed of entities looking to reduce their federal tax liabilities while supporting renewable energy initiatives.

Buyers can download the Atheva Buyer's Guide to understand the process, pricing, potential risks, and how to get started.

Download Buyer's Guide

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Types of Tax Credit Buyers

Here are the main types of buyers who typically participate in tax credit transferability market.

1 Businesses & Corporations (small to large to publicly traded)

Any business or company with federal tax liabilities can benefit from purchasing tax credits to offset their taxes. These companies often seek to lower their tax expenses, enhance their public image, and support environmental, social, and governance (ESG) metrics. They may include tech giants, manufacturing companies, major retailers, small businesses, and family offices.

2 Financial Institutions

Banks, insurance companies, and investment firms often purchase tax credits as part of their financial strategies. These institutions use tax credits to enhance their return on investments, diversify their portfolios, and demonstrate a commitment to sustainability.

3 Utility Companies

Utilities may purchase tax credits to offset taxes on revenues generated from traditional energy sources. Investing in clean energy credits aligns with regulatory requirements and corporate goals to transition to renewable energy sources.

4 High-Net-Worth Individuals

Wealthy individuals with large tax liabilities may purchase credits to reduce their personal tax burdens from passive income. Beyond tax savings, these individuals may be motivated by personal interests in environmental sustainability and renewable energy.

5 Renewable Energy Project Developers

Developers of wind, solar, and other renewable energy projects may buy credits to optimize their financial models. Purchasing credits can help project developers achieve financial viability and attract additional investment.

6 Real Estate Investment Trusts (REITs)

REITs may invest in clean energy projects and purchase tax credits to offset income from property holdings. This strategy helps REITs manage tax obligations while enhancing sustainability profiles.

7 Private Equity and Institutional Investors

Private equity firms and other institutional investors, such as pension funds and sovereign wealth funds, may purchase tax credits as part of investment strategies focused on long-term returns and sustainability.

8 Industrial Companies

Manufacturers and other industrial entities may purchase credits to offset emissions-related taxes. Tax credits support efforts to reduce carbon footprints and comply with environmental regulations.

BUYERS

Navigating Risks + Considerations

The market for transferable clean energy tax credits is growing rapidly, offering buyers an opportunity to support renewable energy initiatives while reducing their federal tax liabilities. However, engaging in this market requires careful consideration of various factors to ensure a successful and compliant transaction. Here's what potential buyers should factor in when looking to purchase credits and what sellers need to consider when structuring terms.

Recapture Risk

The IRS may require repayment of tax credits if certain conditions are not met or if the project ceases to qualify as a renewable energy project within a specified period. Buyers will perform thorough due diligence to assess the ongoing compliance and operational stability of the projects generating the credits. This includes understanding the recapture period and any project-specific risks that could trigger recapture. Important deal terms that can mitigate recapture risk include insurance or parent company guarantees.

Creditworthiness of Sellers

The financial health and credibility of the credit seller can impact the transaction's security and reliability. Buyers will evaluate the seller's financial standing, reputation, and track record in renewable energy projects. This can involve reviewing financial statements, credit ratings, and past project performance to ensure that the seller can fulfill their obligations.

Eligible Basis

The eligible basis refers to the costs associated with the project that qualify for tax credits. It is crucial in determining the amount of credits available. Buyers will need verification of the eligible basis to ensure that it aligns with IRS guidelines and that the credits are accurately valued. Any discrepancies or miscalculations could lead to disputes or disallowed credits. A written note from the seller's CPA outlining proof of eligibility and calculation of qualified credits is an important foundation for credit transactions.

Legal and Regulatory Compliance

Transactions must comply with IRS regulations and other legal requirements to avoid penalties and ensure the credits' validity. Buyers will engage legal and tax professionals to review transaction documents and ensure compliance with all applicable laws and regulations. This includes verifying the authenticity of the credits and the legitimacy of the transfer process.

Carryback and Carryforward Provisions

Tax credits can sometimes be carried back to previous tax years or forward to future years, allowing buyers to optimize their tax positions. Buyers will analyze their tax situation to determine the best strategy for utilizing credits, considering current and anticipated future tax liabilities. **Learn more about how a carryback works**.

Learn more about the top risks for tax credit buyers in our blog post.

Getting Started

Clean energy financing, made easy.

We put developers' interests first. With Atheva, experience predictability, ease, and maximized net outcomes.

Atheva markets your credit, connects you with buyers, and facilitates the sale of your tax credits. Our hands-on, consultative approach allows us to hyper-focus on getting you the best net outcome that meets your financial goals.

Get started by contacting us today.

atheva.com

RECAP

Helpful Resources + Links

Regulation Resources

- Final Regulations: Transfer of Certain Credits
- IRS Registration to Transfer Credits
- IRS Credit Deductions and Adders
- Full list of 11 eligible clean energy credits

Atheva Tools

- Project Developer Checklist
- Transaction Calculator
- Example Settlement Statement
- Recorded Q&A panel-style webinar for project developers

Atheva Blog Posts

- How can Project Developers sell their tax credits?
- Make Your Tax Credit More Attractive to Buyers: A Guide for Project Developers
- The Essentials of Qualification and Due Diligence for Tax Credit Transferability
- Q&A: The Basics of the Advanced Manufacturing Production Credit (Section 45X)
- Q&A: The Basics of the Qualifying Advanced Energy Project (Section 48C)
- New guidance on ITCs and PTCs that begin construction after 2024 (45Y and 48E)
- Simplified Calculations to Take Advantage of the 10% Domestic Content Bonus Tax Credit
- How A Carryback Can Help Buyers Reduce Tax Liabilities from Previous Tax Years
- Understand the Top 5 Risks To Consider Buying Clean Energy Tax Credits

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Atheva is your trusted partner for tax credit transferability.

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