

# United States Senate

WASHINGTON, DC 20510

March 29, 2023

The Honorable Janet Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Ave, NW  
Washington, DC 20220

The Honorable Danny Werfel  
Commissioner  
Internal Revenue Service  
1111 Constitution Ave, NW  
Washington, DC 20224

Dear Secretary Yellen and Commissioner Werfel:

We write to you regarding the urgent matter of American clean energy manufacturing. First, we urge the Department of the Treasury and the Internal Revenue Service (IRS) to issue guidance on the Inflation Reduction Act's clean energy tax credits quickly and expeditiously, so that manufacturers, investors, and users can have certainty about the tax credits for which they qualify. Second, we urge you to issue domestic content rules that mirror the Congressional intent to support domestic supply chain resiliency, American manufacturing of clean energy technologies, and national security.

For too long American workers and families have been harmed by our Nation's overreliance on energy and manufacturing supply chains that are outside of U.S. control, as displayed in Putin's unjustified war against Ukraine as well OPEC's refusal to increase global petroleum production to ease oil prices. As our Nation works to transition to clean energy sources, such as solar and wind power, we must not compromise our national security or supply chain resiliency.

The United States was once a leader in the manufacturing and deployment of clean energy technologies like photovoltaic solar panels and wind turbines but our position has suffered as a result of the rapid rise and nonmarket practices of Chinese industry.<sup>1</sup> Chinese companies now maintain outsized control over the global solar panel market, producing 97 percent of the global supply of silicon wafers and 79 percent of photovoltaic cells.<sup>2</sup> The Chinese government's strategy to extend their control of the global solar market is clear, with its share of global polysilicon production rising from 50 percent in 2017 to nearly 75 percent only three years later.<sup>3</sup> Today, the United States depends on foreign supply chains to meet at least 80 percent of U.S. solar demand.<sup>4</sup> Furthermore, the United States is home to only one of the top 10 wind turbine manufacturers that collectively produce over 75 percent of global installed wind energy capacity.

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<sup>1</sup> "A Conversation with Ambassador Katherine Tai, U.S. Trade Representative." Center for Strategic and International Studies, October 4, 2021, <https://www.csis.org/analysis/conversation-ambassador-katherine-tai-us-trade-representative>.

<sup>2</sup> Bernreuter, Johannes. "The Polysilicon Market Outlook 2024." Bernreuter Research, December 10, 2020, <https://www.bernreuter.com/newsroom/press-releases/polysilicon-market-on-the-brink-of-dynamic-growth/>.

<sup>3</sup> Ibid.

<sup>4</sup> "Special Report on Solar PV Global Supply Chains." International Energy Agency, July 2022, <https://www.iea.org/reports/solar-pv-global-supply-chains/executive-summary>.

China is home to six. In the first half of 2022, China's three largest wind turbine suppliers received over 23 GW worth of orders for new turbines while their western counterparts received only 8.7 GW worth of orders.<sup>5</sup> Chinese companies are making wind turbines at prices well below global market averages subsidized by cheap, dirty steel and dumping them into global markets.

These unfair practices have led to a high degree of U.S. dependence on foreign markets for our clean energy technologies and have suppressed our Nation's ability to develop sustainable manufacturing capacity to meet our climate goals. Forced labor concerns, widespread lockdowns, unfair trade practices, and high polysilicon prices have all interrupted our ability to deploy clean energy technologies here in the United States and are all a result of our overreliance on foreign markets.

With the passage of the Inflation Reduction Act, the largest-ever investment in our climate future, we have an opportunity to make clean energy cheaper for millions of Americans, re-shore critical clean energy technology supply chains, create millions of well-paying jobs, and secure our climate goals for generations to come.<sup>6</sup> Provisions that Congress included in this legislation will ensure that this historic investment will benefit American workers, American industry, our domestic manufacturing base, and our Nation's energy security. We intentionally structured tax credits to not just decarbonize the U.S. economy, but to erase the lead that China and other countries have in manufacturing green infrastructure.

We urge the IRS to adopt guidance pursuant to the legislative intent behind the Inflation Reduction Act's clean energy tax credit enhancements. The Finance Committee's clear intention during the markup for the Clean Energy for America Act was that the 100 percent U.S. iron and steel requirement should follow the Buy America "melted and poured" standard also included in the Infrastructure Investment and Jobs Act.

Forthcoming guidance will detail how companies can claim the domestic content bonus credit. This bonus credit was designed as an incentive to spur upstream demand for American products and corresponding investment in American industries that supply our clean energy infrastructure. As a bonus credit, the intention was not that every clean energy project can qualify, especially in the early years. Instead, this bonus credit was meant to be a bonus for projects that support American clean energy manufacturing and deployment.

In particular, the domestic content bonus credit should work hand-in-hand with the 45X and 48C credits. These other IRA incentives will allow domestic manufacturing capacity to ramp-up over the next several years. The statute explicitly envisions this ramp-up by scaling the domestic content requirement over time. The bonus credit provides the demand side incentive while 45X and 48C provide supply side resources to American manufacturers to meet that demand. Treasury should endeavor to ensure that these credits are aligned and that, to the extent possible, we are building supply with some credits to meet the demand generated by the other. The bonus

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<sup>5</sup> "China's increasingly cheap wind turbines could open new markets." S&P Global. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/china-s-increasingly-cheap-wind-turbines-could-open-new-markets-72152297>.

<sup>6</sup> "9 Million Good Jobs from Climate Action The Inflation Reduction Act of 2022." Bluegreen Alliance, August 4, 2022, [https://www.bluegreenalliance.org/wp-content/uploads/2022/08/BGA-IRA-Jobs-Factsheet-8422\\_Final.pdf](https://www.bluegreenalliance.org/wp-content/uploads/2022/08/BGA-IRA-Jobs-Factsheet-8422_Final.pdf).

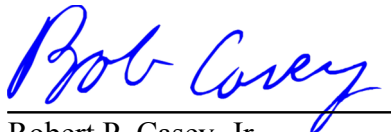
credit should be especially strict where the US has the current capacity for production or can reasonably develop it with the other incentives provided by the IRA.

Forthcoming guidance should closely mirror existing Buy America domestic content sourcing requirements for manufactured goods, which takes a comprehensive approach to evaluating domestic manufactured products beyond just assembly. The IRS should also consider a robust recordkeeping and certification regime to ensure those claiming the bonus credit thoroughly demonstrate compliance with domestic content requirements.


Without strong domestic content guidance, American manufacturers will not have the certainty they need to make robust investments in domestic supply chains, support millions of jobs, and ensure our Nation is on track to meet its ambitious climate goals. We encourage the Department of Treasury and the IRS to fully consider the potential impacts on domestic upstream component and subcomponent manufacturers to ensure the maximum value of the bonus credit is realized by an American supply chain with American workers, not just at the final stages of manufacturing or assembly.

Thank you for your attention to this important matter. We look forward to working with you to meet our climate goals while protecting and supporting American workers and industry.


Sincerely,



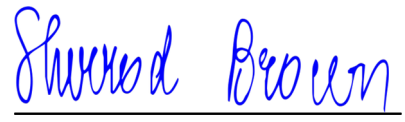
Robert P. Casey, Jr.  
United States Senator



John Fetterman  
United States Senator



Tammy Baldwin  
United States Senator



Sherrod Brown  
United States Senator

CC: Livia Shmavonian, Director, Made in America, Office of Management and Budget