Passage of One Big Beautiful Bill Act Creates Opportunities and Issues for Alternative and Clean Energy Initiatives

What You Need to Know

- The newly enacted One Big Beautiful Bill Act will significantly impact investors in the development of solar, wind, or other forms of alternative energy production.
- Further impacts include the imminent discontinuation of tax incentives for the purchase of new, used and commercial electric vehicles.
- The full implications of this new legislation remain to be seen, but those operating in the alternative and clean energy sectors are advised to closely consider timing and the availability of incentives when determining next steps.

On July 4, 2025, President Donald Trump signed into law the One Big Beautiful Bill Act, following its passage out of the U.S. Senate by the slimmest of margins (51-50) requiring the vote of the Vice President to break the logjam, and then a 218-214 vote after a long and emotionally charged debate in the House of Representatives.

As expected, the Act has a significant and far-reaching impact upon investment and development for solar, wind, or other forms of alternative energy production. The most significant impacts to many investors are the changes to the investment tax credit (ITC) under Section 48E and the production tax credit (PTC) under Section 45Y, specifically as they apply to solar and wind facilities. While nonwind or solar ITC and PTC credits continue the pre-existing "phase out" from prior law, the tax credits for solar and wind are now a cliff; it is all-or-nothing on the date of the deadline.

Specifically:

- To be eligible for the ITC or the PTC, solar or wind facilities must be (i) placed in service no later than Dec. 31, 2027, or (ii) have begun construction within 12 months after the date of enactment of the bill (i.e., July 4, 2026) and then placed in service within 4 years.
- Failure to meet these dates results in zero eligibility for the ITC or the PTC; it is truly a deadline.

Also of significance is the definition and implication of foreign entities of concern. The receipt of material assistance from a Prohibited Foreign Entity in an energy project brings significant risks and restrictions, including the full loss of investment tax credit for any project that commences construction after December 31, 2025. Likewise, Prohibited Foreign Entities themselves are no longer eligible for the ITC or the PTC in the tax year beginning after enactment.

Based upon the new definitions, "Prohibited Foreign Entity" includes "Specified Foreign Entities" and "Foreign Influenced Entities."

A Specified Foreign Entity is:

i. any entity designated as a foreign terrorist;
ii. an entity included on the Treasury Department's list of specially designated nationals and blocked persons;
iii. an entity conviction under certain national security laws; or
iv. an entity identified as a Chinese military company operating in the United States.

A Foreign Influenced Entity is, with the exception of certain public corporations, any entity where:

i. a Specified Foreign Entity has direct or indirect authority to appoint officers;
ii. any single Specified Foreign Entity owns at least 25% of the organization;
iii. multiple Specified Foreign Entities combined own at least 40% of the organization;
iv. 15% or more of the organization's debt is held in total by Specified Foreign Entities; or
v. the Specified Foreign Entity was involved in a contract, agreement, or other arrangement granting the Specified Foreign Entity control over the facility or the production of eligible components.

These designations are subject to update and identification by the federal government, and individuals should be cautious to ensure compliance.

Likewise, electric vehicle tax rebates now end on September 30, 2025, for vehicles not yet purchased, including new, used, and commercial vehicles. Similarly, the clean hydrogen production credit now terminates, on an accelerated basis, for facilities that begin construction after December 31, 2027.

Qualifying fuel cell projects that begin construction after December 31, 2025, are eligible for a 30% ITC that exempts the projects from prevailing wage and apprenticeship requirements and greenhouse gas emission requirements.

The Clean Fuel Production Credit, a tax credit based upon the production of low-carbon transportation fuels, including hydrogen, is extended from December 31, 2027, until December 31, 2029, subject to restrictions on foreign sourced feedstock and provided that the taxpayer is not a prohibited foreign person.

The full impact of this new legislation remains to be seen, but those operating in the alternative and clean energy sectors are advised to closely consider timing and the availability of incentives when determining next steps.

The firm's **Energy & Renewable Resources** practice team will be closely monitoring this law as implementation moves forward and will keep you advised accordingly. Please contact the author of this Alert with questions concerning this legislation or to discuss your specific business circumstances.

Related Attorneys

Kenneth J. Sheehan

Partner

732.476.2678

Email