



# Energy storage projects have investment domain restrictions

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Are feoc restrictions relevant to large-scale energy storage projects?

Our focus here is on H.R. 1's extension and expansion of pre-existing foreign entity of concern (FEOC) restrictions for each of the tax credits most likely be relevant to large-scale energy storage projects under Sections 45Y, 48E, and 45X of the Internal Revenue Code.

What regulatory guidance has the government released on energy storage?

Of particular importance to the energy storage industry, the government has released final regulatory guidance for the ITC (both Section 48 and 48E of the Code), prevailing wage and apprenticeship (PWA) requirements, and transferability and direct payment, as well as other guidance on the energy community and domestic content tax credit "adders."

What are the New IRA rules for energy storage?

Energy storage was one of the major beneficiaries of the IRA's new rules on both the deployment and manufacturing sides. The IRA enacted the long-sought investment tax credit (ITC) under Section 48 and 48E of the Internal Revenue Code (the Code) for standalone energy storage facilities.

Are solar and storage projects eligible for tax credits?

To be eligible for tax credits, materials from a prohibited foreign entity (PFE) must be under a certain percentage threshold. These thresholds are different for solar and storage projects and increase annually:

Unlike solar and wind, which had their construction cutoff dates moved up, BESS projects will remain eligible for the investment tax credit (ITC) and production tax credit (PTC) ...

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The U.S. Treasury Department and IRS on January 7, 2025, issued final regulations (T.D. 10024) related to the section 45Y clean electricity production credit and section 48E clean electricity ...

Energy storage was one of the major beneficiaries of the IRA's new rules on both the deployment and manufacturing sides. The IRA enacted the long-sought investment tax ...

However, all new clean energy projects must now meet strict new foreign ownership and sourcing requirements to be eligible for any tax credits.

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The 2022 IRA entitles stand-alone energy storage projects to 30% investment tax credits, which were previously limited to storage co-located with solar or wind power plants.

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