NXG INVESTMENT MANAGEMENT

The Next Generation of Investment Management

Clean Technology Cost Benefits from the Inflation Reduction Act

April 2023

Clean technology has the potential to dramatically improve the economy by lowering energy costs and creating new jobs. We previously discussed how the Inflation Reduction Act (IRA) has already triggered $90bn in investment and created over 100,000 jobs.

The specific financial impacts from the IRA are starting to come into focus. Based on company guidance, the bill is expected to reduce averoage clean technology production costs by 40%. The biggest beneficiaries are for hydrogen and solar. This support will create further adoption momentum beginning late 2023.

NXG Investment Management is dedicated to providing Next Generation investment strategies to investors seeking long-term growth in companies focused on a clean and sustainable future, as well as traditional and transformational infrastructure companies.

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Potential IRA Cost Savings by Technology

	Current Cost	IRA Credit Max	Max Credit as % of Spot
Hydrogen, Green[1]	$3.65/kg	$3.00/kg	**82%**
Solar Module	$0.22/W[2]	$0.17/W[3]	**77%**
Wind Generation	$26/MWh[4]	$40/MWh[5]	**65%**
Solar Generation	$26/MWh[6]	$41/MWh[7]	**63%**
Residential Inverters	$25/unit[8]	~$63/unit[9]	**40%**
Batteries[10]	$151/KWh	$45/KWh	**30%**
EV Chargers[11]	$75,000/unit	$22,500/unit	**30%**
EV – Sedan[12]	$55,000/unit	$7,500/unit	**14%**
Hydrogen, Blue[13]	$2.58/kg	$0.33/kg	**13%**
Wind Turbines	$0.12/W[14]	$0.02/W[15]	**17%**
EV – SUV and Pickup[16]	$75,000/unit	$7,500/unit	**10%**

[1] Wolfe Research. "Grab some popcorn and watch Sinema; who are the big winners" 7/31/2022
[2] First Solar's production cost. 4Q21 earnings call 3/1/2021
[3] BofA "First Solar Downgrade to Neutral with IRA Priced In: Upside Less Compelling" 2/2/2023
[4] Credit Suisse "US Inflation Reduction Act: A Tipping Point" 9/28/2022
[5] BNEF "2H 2022 LCOE Update" 12/8/2022
[6] Credit Suisse "US Inflation Reduction Act: A Tipping Point" 9/28/2022
[7] BNEF "2H 2022 LCOE Update" 12/8/2022
[8] Enphase 4Q22 earnings call 2/7/2023
[9] Enphase 2022 consolidated GAAP gross profit per microinverter shipments.
[10] BNEF "Top 10 Energy Storage Trends for 2023" 1/5/2023
[11] Chargers are eligible for 30% ITC. Tritium told NXG their 150KW charger costs $75,000 on 2/21/2023.
[12] Current cost is the max allowable for class to qualify for credit. BNEF "US Treasury Clarification on EV Credits Add Complexity" 1/5/2023
[13] Assumes $4 natural gas. NXG, Wolfe Research.
[14] TPI Composite revenue per set (of three blades) in 2022
[15] TPI Composite 3Q22 earnings call 11/3/2022
[16] Current cost is the max allowable for class to qualify for credit. BNEF "US Treasury Clarification on EV Credits Add Complexity" 1/5/2023

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