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California clean energy developers support SB 302 to accelerate clean energy deployment, reduce costs

Legislation from Sen. Steve Padilla, coauthored by Assembly and Senate energy chairs, would unlock a federal tax benefit in California that is available in nearly every other state.

SACRAMENTO — California’s clean energy industry supports new legislation from Sen. Steve Padilla (D-San Diego) that would unlock federal tax benefits for renewable projects in the state.

Padilla’s [SB 302](#), in print today, would align California’s tax code with provisions in the Inflation Reduction Act that expand financing options for clean energy developers, lowering costs and ramping up deployment of clean energy.

California has some of the nation’s most ambitious clean energy goals, yet it’s one of only five states — along with Arkansas, New Hampshire, Mississippi, and Texas — that suppresses the value of an IRA benefit that kicks in when developers sell clean energy tax credits that accrue under the law once projects are up and running.

In other states, developers may exclude earnings from the sale of those credits when reporting their gross income. That benefit, which can be worth millions of dollars for mid-size projects in California, allows developers to take full advantage of the IRA’s support for clean energy, freeing up money to invest in new projects and ultimately reducing prices for ratepayers.

The benefit isn’t available in California because the state has not conformed its tax code to the federal code since before the IRA became law in 2022. Padilla’s bill would conform California law to sections 6417 and 6418 of the federal code, unlocking the benefit for

solar, wind, storage and other renewable projects. It's supported by American Clean Power-California, the Large-scale Solar Association, Solar Energy Industries Association and other industry groups.

"California needs more energy, not less," said Padilla. "Updating our tax law to conform with federal law will help make energy projects cheaper and more affordable for all Californians."

"This is a chance for California to walk the walk on an affordable clean energy transition," said Alex Jackson, executive director for American Clean Power-California. "We urge lawmakers to support this common-sense proposal to reduce costs and speed deployment of clean energy."

California needs every tool at its disposal to add the more than 148 gigawatts of new zero-emitting resources called for in the state's 2045 climate plan.

Senate Energy, Utilities and Communications Committee Chair Josh Becker, Assembly Utilities and Energy Committee Chair Cottie Petrie-Norris, Senator Henry Stern and Assemblymember Jacqui Irwin are coauthoring Padilla's bill.

"California has led the global transition to a clean energy future — attracting investment from around the world to power climate innovation, create high quality green jobs, and build California's clean energy economy," said Petrie-Norris. "To maintain our edge, it is imperative that we use every tool at our disposal to maximize federal and investment dollars flowing to our state. SB 302 is critical to encourage private investment, accelerate clean energy deployment, and help lower energy costs for all Californians."

"California is unique among the states in its failure to conform state taxes to the federal tax system, and ratepayers are paying the price," said Stephanie Doyle, SEIA's California state affairs director. "SEIA appreciates Senator Padilla for working with the solar and storage industry on legislation to address tax conformity in California, which will lower costs for ratepayers and help address our energy affordability issues."

"Ensuring California's tax code aligns with the Inflation Reduction Act is critical to maximizing the benefits of clean energy incentives and keeping project costs as low as possible," said Shannon Eddy, executive director of the Large-Scale Solar Association. "Without this action, developers face unnecessary financial hurdles that could slow deployment, increase costs to consumers, and hinder California's ability to meet its clean energy and climate goals. Aligning California's tax structure with federal policy will unlock billions in investment, accelerate job growth, and strengthen the state's leadership in the transition to a resilient, renewable-powered grid."

There's good precedent for California to conform its code. The state quickly did so to take advantage of American Recovery and Reinvestment Act grants in 2009, and again to harness benefits from the Coronavirus Aid, Relief, and Economic Security Act in 2020 and the American Rescue Plan Act in 2021.

Clean energy developers estimate that California's non-conformity increases the cost of a typical new clean energy project by between 1 and 6 percent depending on the project owner's presence in California.

While the IRA allows developers to exclude cash payments from their gross income when they sell the credits, the credits are not deductible by the purchaser, making the exchanges tax-neutral.

California will benefit from conforming its code for tax years 2023, 2024 and onward regardless of the outcome of any future negotiations over IRA benefits.

About American Clean Power: *American Clean Power is the voice of the clean power industry that is powering America's future, providing cost-effective solutions to the climate crisis while creating jobs, spurring massive investment in the U.S. economy and driving high-tech innovation across the nation. We are uniting the power of America's renewable energy industry to advance our shared goals and to transform the U.S. power grid to a low-cost, reliable and renewable power system. ACP-California is a state project of the national trade association.*

About SEIA®: *The Solar Energy Industries Association® (SEIA) works with its 1,200 member companies and other strategic partners to fight for policies that create jobs in every community and shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Founded in 1974, SEIA is the national trade association for the solar and solar + storage industries, building a comprehensive vision for the Solar+ Decade through research, education and advocacy. Visit SEIA online at www.seia.org and follow @SEIA on Twitter, [LinkedIn](#) and [Instagram](#).*

About LSA: *The Large-scale Solar Association (LSA) is the lead utility-scale solar advocacy organization in California. LSA's mission is to advocate for policies that support the deployment of utility-scale solar technologies in California sufficient to meet the state's unprecedented climate and clean energy targets.*