The Energy Sector Innovation Credit (ESIC) Act of 2021 would provide investment and production tax credits for emerging energy technologies that are not currently eligible for such tax credits. In a new insight, Director of Energy Policy Ewelina Czapla walks through the importance of federal support for these emerging technologies—as part of a holistic approach to climate change mitigation—rather than simply supporting existing technologies that already enjoy widespread market adoption.

Key points:

- Countering the growth of greenhouse gas emissions requires novel technologies that have not yet been deployed at scale and would benefit from production and investment credits.
- The BBBA should employ a technology-agnostic approach in combination with a planned phase-down of credits as market penetration increases to prevent continued subsidization of technologies that have achieved widespread market adoption.
- Policies should not aim to pick winners and losers, specify labor requirements, or simply sustain already-successful preferred technology—none of these strategies is conducive to the most rapid development of the best technologies, nor the best use of taxpayer dollars.

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