May 9, 2025

The Honorable Jason Smith
Chairman
Ways & Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Smith,

On behalf of our nation's venture capital (VC) investors and the entrepreneurs they support, I write to express our strong support for preserving the energy tax credits established under the Inflation Reduction Act (IRA). These credits have played a critical role in supporting early-stage energy technology innovation, enabling promising startups to scale, reduce costs for American consumers, and strengthen our nation's energy security.

The IRA's tax incentives for energy innovation have catalyzed private investment in next-generation clean energy technologies that are essential for achieving long-term energy and economic security in the U.S. Venture-backed startups are on the front lines of these efforts, developing breakthroughs in areas such as grid storage, carbon capture, hydrogen production, and industrial decarbonization. These technologies face long commercialization timelines and significant capital needs—challenges that the IRA tax credits are structured to help address. Since 2023, nearly 1,500 U.S.-based energy innovation startups have raised over $27 billion in VC funding.[1]

On.Energy is a Miami, FL-based startup specializing in turnkey battery energy storage systems. Leveraging its proprietary software, the company delivers AI-driven solutions for grid resilience, energy arbitrage, and backup power, with over 300 MWh deployed across 65 projects in five countries.[2] Fervo Energy is a Houston, TX-based geothermal energy startup pioneering enhanced geothermal systems by applying advanced drilling and fiber-optic sensing technologies adapted from the oil and gas industry. Their innovative approach enables the production of 24/7 carbon-free electricity, with projects like the 400 MW Cape Station in Utah poised to significantly contribute to the energy grid by 2026.[3]

Base Power is a Texas-based startup offering affordable, battery-powered home energy services

[1] Pitchbook Data, available at https://pitchbook.com/
[2] https://www.on.energy/
[3] https://fervoenergy.com/

that provide up to three days of backup power during outages, without requiring solar installation. Their distributed battery network enhances grid stability and reduces electricity costs, making reliable energy accessible to homeowners across deregulated regions of Texas.[4] Swift Solar is a San Carlos, CA-based solar technology company developing high-efficiency perovskite tandem solar cells that outperform traditional silicon panels in both efficiency and cost-effectiveness. Founded in 2017 by researchers from MIT, Stanford, and the National Renewable Energy Laboratory, Swift Solar aims to commercialize lightweight, flexible solar modules for applications ranging from residential rooftops to space-based systems.[5]

These are just a few examples of startups utilizing energy tax credits established through the Inflation Reduction Act. As the Ways & Means Committee advances critically important tax legislation in the coming weeks, NVCA urges continued support for the following key provisions:

Tax Credit Transferability

The tax credit transferability mechanism established through IRA is a game-changer for energy innovation startups. Unlike large, established corporations, early-stage companies typically have little to no taxable income and therefore cannot directly benefit from traditional tax credits. Transferability allows these startups to sell credits to third parties, unlocking near-term capital that can be reinvested in hiring, R&D, and project deployment. This flexibility has dramatically expanded startups' ability to invest in energy innovation, accelerating the commercialization of breakthrough technologies in areas like long-duration storage, hydrogen, carbon capture, and advanced materials. By enabling startups to access the same tax incentives as larger players, transferability levels the playing field and ensures the U.S. innovation ecosystem remains globally competitive.

Section 45Q Carbon Capture Credit

IRA's reform of the 45Q carbon capture credit—particularly the lowering of minimum capture thresholds—has been transformative for startups working on next-generation carbon management technologies. Prior to the IRA, eligibility requirements effectively excluded early-stage and smaller-scale carbon capture, utilization, and storage (CCUS) projects from accessing the credit.

By reducing the volume of carbon required to qualify, the IRA opened the door for innovative startups developing modular, distributed, or early pilot-scale systems to participate. This change has catalyzed private investment into a broader array of carbon removal approaches, including direct air capture and point-source capture for smaller industrial emitters. Lowering the scale barrier ensures the 45Q credit supports a more dynamic innovation ecosystem, which is critical for advancing American leadership in carbon capture technologies and achieving long-term energy security goals.

Section 48C Advanced Energy Project Credit

The Section 48C Advanced Energy Project Credit plays a critical role in enabling startups to scale domestic manufacturing of cutting-edge clean energy technologies. For early-stage

[4] https://www.basepowercompany.com/
[5] https://www.swiftsolar.com/

companies developing innovations in batteries, grid components, carbon capture equipment, and clean industrial processes, accessing capital to build or retrofit manufacturing facilities is often a major barrier to commercialization. The 48C credit helps bridge this gap by providing a tax incentive for investment in U.S.-based manufacturing capacity, supporting job creation and supply chain resilience in the process.

The 48C credit prioritizes projects in legacy energy communities and incentivizes domestic production of strategic technologies, bolstering American competitiveness and helping startups to grow across broader swaths of the nation. For venture-backed companies, 48C sends a powerful market signal that the federal government is committed to supporting homegrown innovation from lab to large-scale deployment.

Investment Tax Credit for Energy Storage

Extending the Investment Tax Credit (ITC) to standalone energy storage has been a breakthrough for startups developing the next generation of storage technologies critical to grid reliability and decarbonization. Before this change, only storage systems paired with solar qualified for the credit, excluding many innovative companies working on standalone solutions such as long-duration batteries, thermal storage, and other emerging technologies.

Allowing these projects to qualify independently leveled the playing field and dramatically expanded market access for startups. The ITC lowers upfront capital costs, making pilot deployments and first-of-a-kind projects more financially viable—key steps for early-stage companies on the path to scale. As electricity demand grows and variable renewable generation increases, storage innovation is essential. The ITC helps ensure startups have the tools and incentives to deliver the resilient, flexible energy systems of the future.

Conclusion

Scaling breakthrough energy technologies requires sustained, reliable policy support. The IRA credits provide the kind of certainty needed to attract long-term investment in American energy innovation, creating jobs, economic growth and enhancing American energy security. Thank you for your leadership on tax policy and your attention to this important matter. We stand ready to work with you to ensure the United States continues to lead the world in energy innovation and entrepreneurship.

Sincerely,

Bobby Franklin
President and CEO