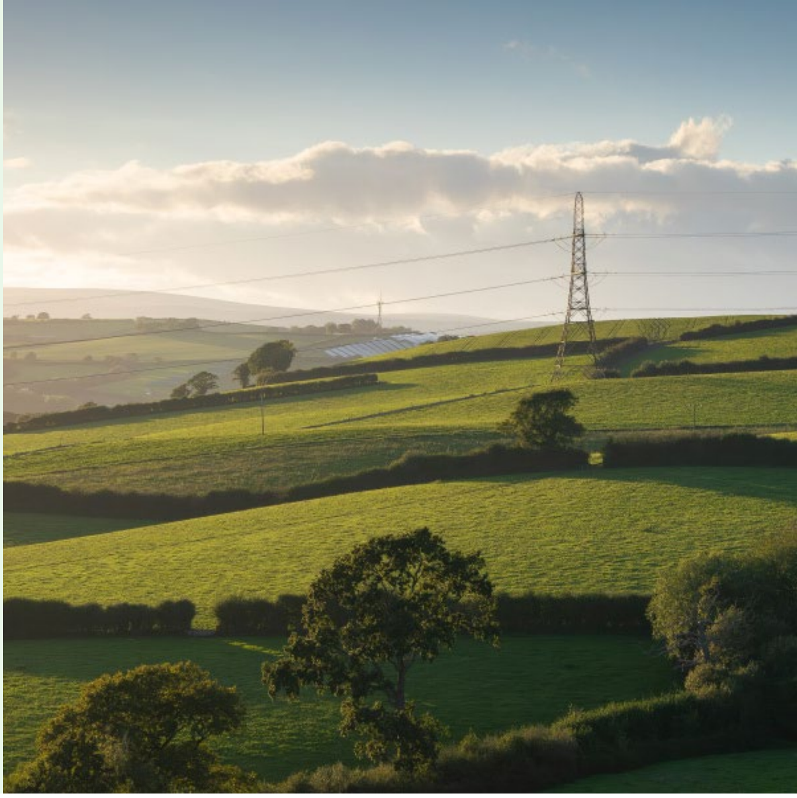
Clifford Chance

BRIEFING

One Big Beautiful Bill Act: Notable Terminations of Tax Credits for Solar, Wind, Hydrogen and Clean Vehicles

November 2025



The One Big Beautiful Bill Act (OBBBA) represents a sharp statutory reversal of previous federal climate and energy policies. Title VII of the OBBBA repeals or sunsets numerous clean energy tax credits which were previously authorized or extended under the Inflation Reduction Act (IRA) enacted during the Biden Administration. The OBBBA also eliminates federal zero-emission vehicle mandates and rescinds regulatory authority previously delegated to the Environmental Protection Agency (EPA) to enforce emissions standards. In place of these standards, the OBBBA codifies a national energy strategy which prioritizes domestic fossil fuel production, pipeline infrastructure development and expedited permitting processes.

In this briefing we examine the termination of tax credits for clean vehicles[1], residential clean energy and clean hydrogen production[2], and the denial of tax credits in respect of certain residential solar and wind property.[3]

KEY ISSUES

1. The accelerated termination of clean energy tax credits is having an immediate market impact, with a short-term surge in electric vehicle and clean energy system sales and uncertainty for the sector in the longer term.

2. The clean hydrogen sector will face challenges resulting from a narrower timeframe for new projects to qualify for the Section 45V credit.

3. The removal of tax credits for leased residential solar and wind assets will potentially reduce consumer access to clean energy technologies and means that

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1 OBBBA, § 70502, amending 26 U.S.C. § 30D(h) and OBBBA, § 70503, amending 26 U.S.C. § 45W(g).
2 OBBBA, § 70511, amending 26 U.S.C. § 45V(c)(3)(C).
3 OBBBA, §§ 70512(d) and 70513(c), amending 26 U.S.C. § 45Y and § 45E, respectively.

clean energy developers must look for new models.

Section 70502 – Termination of Clean Vehicle Credit

The clean vehicle credit in Section 30D (**Section 30D credit**) of the Internal Revenue Code (the **Code**) was initially established by Congress in 2008 for electric vehicles and included a phaseout for manufacturers with sales in excess of 200,000 qualifying vehicles. Under the IRA, the clean vehicle credit was expanded to new electric and other qualifying clean vehicles and made available for vehicles placed in service[4] through December 31, 2032. The IRA eliminated the manufacturing cap and expanded the credit to include leased vehicles (in which case the tax credit was owned by the lessor) but added certain additional rules requiring that a portion of the battery components and critical minerals be sourced from North America or U.S. trade partners. The available amount of tax credit was up to $7,500, subject to various requirements (including vehicle price, income limits, North American assembly and battery sourcing, among others). This tax credit also included a transferability option at the point-of-sale, beginning in 2024.

The OBBBA terminates the 30D credit for vehicles "acquired"[5] after September 30, 2025. This is a significant acceleration of the phaseout, as it ends the credit more than seven (7) years earlier than the IRA had legislated. Since July 2025, sales of electric vehicles have reached record highs as a reaction to the termination of the clean vehicle credit under the OBBBA. For example, in the fiscal quarter ending September 30, 2025, Tesla registered a record number of deliveries.[6] However, with the tax credit now expired as of September 30, 2025, automakers are likely to experience significant challenges with General Motors, for example, anticipating a negative impact of $1.6 billion in Q4 due to the termination of the tax credit.[7]

Section 70503 – Termination of Qualified Commercial Clean Vehicles Credit

As originally enacted in 2008, the Section 30D credit captured both personal and business electric vehicles. Under the IRA, a new section of the Code, Section 45W, was created to address the business portion of the credit applicable to vehicles placed in service after 2022 (**Section 45W credit**). The Section 45W credit was made available for businesses and tax-exempt organizations that purchased qualifying clean vehicles, including electric and fuel cell vehicles. The maximum tax credit available was $7,500 for vehicles weighing less than 14,000 pounds and $40,000 for vehicles weighing more 14,000 pounds. As with the personal clean vehicle

4 Under the IRS regulations applicable to the Section 30(D) credit, a new clean vehicle is "placed in service" on the date the taxpayer takes possession of the vehicle. *See* 26 CFR § 1.30D-2.

5 For the purposes of the Section 30D credit, a vehicle is "acquired" on the date a written, binding contract is entered into and payment, which includes a down-payment or vehicle trade-in, has been made. As such, vehicles delivered after September 30, 2025 may still be eligible where they were acquired prior to September 30, 2025.

6 See Crowder, L. "Tesla sees stunning sales numbers for 2 key models: 'Frankly, I'm surprised'," *Yahoo! Finance*, November 16, 2025, https://finance.yahoo.com/news/tesla-sees-stunning-sales-numbers-013000841.html.

7 *See* Chapman, M. "GM takes $1.6 billion hit as incentives for EVs slashed and emission rules eased," *PBS News*, October 14, 2025.

credit, the commercial clean vehicle credit had been available under the IRA for vehicles placed in service through December 31, 2032.

Again, as with the personal clean vehicle credit, the OBBBA terminates the Section 45W credit for qualifying commercial clean vehicles acquired after September 30, 2025, again accelerating the phaseout to be seven (7) years earlier than contemplated under the IRA. This accelerated phaseout contributed to a short-term spike in commercial clean vehicle sales in Q3 of 2025 prior to termination of the Section 45W credit, but moving forward, it is anticipated to create a significant negative impact on the sale of commercial electric vehicles in the U.S.

Section 70506 – Termination of Residential Clean Energy Credit

As amended in 2022, the Section 25D residential clean energy credit (**Section 25D credit**) was equal to thirty percent (30%) of the costs of new and qualified clean energy systems (including solar, small wind, geothermal, fuel cell, and battery storage technology) for domestic residences installed anytime between 2022 and 2032. The credit did not include an annual or lifetime dollar limit, with the exception of credit limits for fuel cell systems. The credit was structured to phase down beginning in 2033 and to expire in 2034.

The OBBBA significantly changed the Section 25D credit by accelerating its termination. Tax credits for qualifying clean energy systems are eliminated for systems placed in service after December 31, 2025, eight (8) years earlier than the Section 25D credit under the IRA. As such, taxpayers seeking to utilize the Section 25D credit will need to ensure their would-be-eligible clean energy property is placed in service prior to the end of the year to maintain the ability to claim the tax credit.

Section 70511 – Termination of Clean Hydrogen Production Credit

The IRA created a new section of the Code, Section 45V, to promote the development of the clean hydrogen industry in the United States. Under Section 45V, as enacted by the IRA, a ten-year production tax credit was available for qualified clean hydrogen produced at facilities that began construction prior to January 1, 2033 (**Section 45V credit**). The Section 45V credit was designed to incentivize the production of low-emission hydrogen, with the credit available in phased amounts determined based on the facility's lifecycle greenhouse gas emissions. Congressional projections had estimated that for the period 2024 to 2028 alone, taxpayers would claim approximately $7.2 billion in 45V credits.[8]

The final Treasury Department implementing regulations for Section 45V were not released until January 2025 and had been the subject of intense lobbying and debate, many stakeholders pushed for the Biden Administration to soften the strict regulations originally proposed in order to facilitate growth of the nascent clean hydrogen industry.[9] Stricter regulations could have helped limit total systems emissions, whereas more relaxed regulations could have enabled rapid growth of the industry and

[8] *See* "Estimates Of Federal Tax Expenditures For Fiscal Years 2024-2028". The Joint Committee on Taxation, Congress of United States. December 11, 2024. Available at: https://www.jct.gov/publications/2024/jcx-48-24/.

[9] The final rules are available at: https://www.federalregister.gov/documents/2025/01/10/2024-31513/credit-for-production-of-clean-hydrogen-and-energy-credit.

raised the cost to the federal government of the tax credits. The final regulations introduced additional flexibility and in response to criticism softened certain requirements and were seen as a middle-of-the-road approach.

The OBBBA terminates the Section 45V credit for facilities that do not begin construction prior to January 1, 2028. This accelerates the cutoff date for new projects by five (5) years. The accelerated cutoff date represents a serious blow to the development of green and blue hydrogen projects in the United States, particularly given that the industry did not gain clarity on the final regulations until January 2025.

Sections 70512(d) and 70513(c) – Denial of Credit for Certain Solar and Wind Assets Subject to Leasing Arrangements

Under the IRA, the Section 45Y clean energy production tax credits (**Section 45Y credit**) and Section 48E clean energy investment tax credits (**Section 48E credit**) could be claimed for clean energy property (to include solar water heating, solar electric, small wind, geothermal, fuel cell, and battery storage technology) leased to a third-party and the tax credits could be passed on as savings to the lessee. This helped facilitate third-party ownership models for residential consumers, particularly for solar panels, as residential consumers could benefit from installer incentives made possible by the Section 45Y and 48E credits and thus benefit from the tax credits without being required to incur the cost of purchasing systems outright. For example, if a solar company installed panels on a homeowner's roof and leased the panels to the homeowner, the solar company could claim Section 45Y or 48E credit, as applicable, assuming other eligibility requirements were satisfied, and the value of the tax credit could be passed on to the homeowner as a reduction in the lease price.

The OBBBA revised eligibility to claim the Sections 45Y and 48E credits for leased systems and removed the ability for taxpayers to claim such credits for leased solar water heating and small wind energy systems; however, until the Section 45Y and 48E credits expire, they may still be claimed for leased residential solar electric, geothermal, fuel cell, and battery storage property. (For more information, please see our briefings: One Big Beautiful Bill Act - The impact on the clean energy production tax credit and investment tax credit; One Big Beautiful Bill Act: Updates to Section 45Q Tax Credits for CCS and Publicly Traded Partnerships for clean energy).

Impact of the Changes and What to Expect Moving Forward

The changes described above eliminate significant federal incentives for consumers and businesses to invest in clean vehicles and for individual consumers to invest in clean energy technology for their homes. However, while these measures may challenge established business models in the clean energy sector, they may also encourage innovation and adaptation. The accelerated phaseout of the clean hydrogen production tax credit severely undermines development of the clean hydrogen industry in the United States. It remains to be seen if the Trump Administration will attempt to revise the applicable regulations in a way that further challenges the clean hydrogen industry.

The Clifford Chance team continues to closely monitor the impact of the OBBBA and will continue to publish updates on market developments and trends. Our previous briefings include:

One Big Beautiful Bill Act - The impact on the clean energy production tax credit and investment tax credit

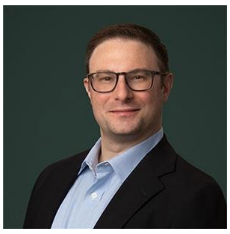
One Big Beautiful Bill Act: Updates to Section 45Q Tax Credits for CCS and Publicly Traded Partnerships for clean energy

One Big Beautiful Bill Act: Impacts on tax credits available for nuclear energy under Sections 45U and 45Y

One Big Beautiful Bill Act: Implications for the environmental sector

One Big Beautiful Bill Act: Section 45Z clean fuel production credit extended and modified

If you have any questions, please contact a member of Clifford Chance's Energy & Infrastructure team.



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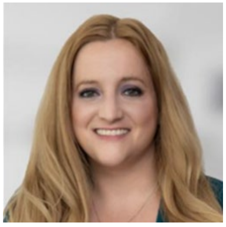

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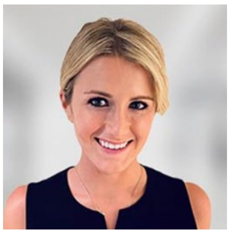

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