

# Rebuilding Equity in Clean Energy: Understanding the Impacts of the Reconciliation Law

In light of significant federal rollbacks, frontline communities and small-scale solar developers must prioritize bold, community-centered solutions to maintain progress, protect advancements, and reimagine the future of clean energy justice.

## KEY PROVISIONS AFFECTING THE SOLAR INDUSTRY

### *Understanding What the Law Changes*

The Reconciliation Law, signed in July 2025, significantly amends the Inflation Reduction Act by rolling back key provisions that previously supported solar adoption and the development of domestic clean energy. These legislative changes reshape the policy landscape for small and community-based developers:

#### **Elimination of Direct Pay Options**

- Tax-exempt entities—such as schools, local governments, and nonprofits—can no longer monetize clean energy tax credits. This limits their ability to finance solar projects.

#### **Reduction of Bonus Credit Incentives**

- Add-on tax incentives for projects that meet domestic content requirements, serve low-income communities, or are located in energy transition areas have been scaled back or eliminated.

#### **Shortened Duration for Federal Tax Credits**

- Modifications to the Investment Tax Credit (ITC) and Production Tax Credit (PTC) reduce long-term predictability, which undermines confidence in solar investments.

#### **Expansion of Fossil Fuel Subsidies and Fast-Tracking**

- New tax advantages and streamlined permitting processes for oil and

## BACKGROUND: THE RECONCILIATION LAW AND SOLAR ENERGY

In July 2025, Congress passed the Reconciliation Law, which was signed by President Trump. This legislation makes significant amendments to the Inflation Reduction Act (IRA), a landmark policy that had driven record investment in clean energy, equity, and domestic manufacturing.

While the Reconciliation Law introduces new infrastructure spending, it also repeals or restricts several key provisions that had made the IRA effective for small developers, tax-exempt entities, and community-based solar projects. As a result, it shifts federal priorities away from climate justice and local ownership, creating new challenges for equitable deployment, market stability, and long-term investment.

This law represents a critical inflection point: the clean energy industry must now adapt to maintain momentum, expand access, and safeguard the hard-won progress achieved, especially for those historically excluded from the energy economy.

## KEY IMPACTS OF THE RECONCILIATION LAW

### *What It Means for Clean Energy Equity & Small Developers*

The recent policy changes have significant implications for clean energy equity, particularly affecting small, BIPOC-led, and community-focused solar companies. With diminished federal support, there is a high risk of market contraction unless proactive, localized strategies are implemented.

**Public and Community Projects at Risk** Without direct payments, many public and mission-driven developers may have to delay or cancel clean energy projects. This could slow progress in schools, tribal communities, and municipalities.

**Equity Incentives Lose Power** The reduction of bonus credits makes it harder for underserved communities to get investment and support.

**Smaller Firms Face Growing Market Challenges** With less predictable credits, fewer incentives, and tougher competition from fossil fuels; smaller developers may need to stop operations or leave the market.

**Fossil Fuel Expansion Undermines Clean Energy Gains** As oil and gas development increases, it may pull investment, workforce, and grid access away from renewable energy solutions, slowing down efforts to reduce carbon emissions.

## Navigating the Shift

The Reconciliation Law presents new challenges for solar deployment, especially for small developers and underserved communities. Although key incentives have been weakened, the sector can continue to thrive by embracing innovative financing strategies, equity-focused practices, and community-centered approaches.

### STRATEGIC RESPONSE FOR CLEAN ENERGY STAKEHOLDERS

#### *Adapting to Federal Retrenchment with Local Innovation*

##### **1. Unlock and Diversify Capital**

- Transfer tax credits through investor partnerships to replace direct payments.
- Pursue justice-focused climate capital (e.g., The Solutions Project, Green banks).
- Build capacity to access remaining IRA and state climate funds.

##### **2. Prioritize Resilient and Inclusive Project Design**

- Combine solar energy with storage to enhance energy security.
- Site projects in high-impact areas (brownfields, landfills, EJ communities).
- Integrate workforce development and community engagement from the outset.

##### **3. Strengthen Policy & Procurement Positioning**

- Use equity data (e.g., CalEnviroScreen, Justice40) to bolster grant and procurement proposals.
- Emphasize DEIJ commitments, local hiring, and supplier diversity in contracts.
- Engage in state-level rulemaking to ensure equitable distribution of clean energy resources.

## Looking Ahead

The Reconciliation Law brings significant challenges, but it also serves as a renewed call to action. Clean energy stakeholders must respond with resilience, innovation, and collaboration. By promoting bold financing models, inclusive project design, and equity-centered policy advocacy, the sector can continue to advance a just and sustainable energy future.

## FOR MORE INFORMATION

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### ENDNOTES

1. Inflation Reduction Act Fact Sheet, U.S. Department of Energy, 2023.
2. The White House Briefing on Energy Communities, 2024.
3. "Reconciliation Law Legislative Text," U.S. Congress, July 2025.
4. Just Solutions Collective: [justsolutionscollective.org](http://justsolutionscollective.org)
5. CalEnviroScreen 4.0, California Office of Environmental Health Hazard Assessment (OEHHA)
6. SEIA Diversity, Equity, Inclusion and Justice Best Practices Guide, 2024.

