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## **Fitch: Clean Energy Plans Spur Shifts for Public Entities, Projects**

Fitch Ratings-New York-06 May 2021: The American Jobs Plan (AJP) would require accelerated changes to electricity generation and transmission that would have varied effects on renewable energy projects, public power utilities and states, Fitch Ratings says. President Joseph Biden's proposed infrastructure plan includes significant clean energy goals that would contribute to a carbon-free electricity grid by 2035. The credit implications of reducing fossil fuel reliance are limited for these sectors in the near-to-medium term, as we discuss in our new report [Biden's Clean Energy Plans Accelerate Shifts for Public Entities and Power Projects](#).

While Congressional action on certain tenets of the AJP remain uncertain, we expect tax credits for clean energy projects to be a part of any final plan, spurring investment in renewables, energy storage and transmission infrastructure. Direct-pay tax credits for renewable generation are significant for project funding, as the refundable credits preclude the need for a tax-equity partner, making capital formation more efficient.

The costs of transitioning to renewable energy could be significant for utilities and other issuers in the near-to-medium term, but we expect that transaction structures and financial flexibility assumed in the rating will be able to absorb these costs until the longer-term efficiencies and savings are realized. Stranded-asset risk could be more material for issuers with significant fossil fuel exposure. States whose economies rely on the oil and gas sector will face transition risks such as lost jobs and lower economic output, but financial impacts are expected to be more modest for state governments with tax regimes that are not directly linked to this sector.

Progress toward increased renewable power use depends upon better storage and transmission technologies to meet variable demand periods. Fossil fuels will continue to play a part in meeting dispatchable capacity needs and ensuring energy in reserve until longer-duration battery storage capabilities improve.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at [www.fitchratings.com](http://www.fitchratings.com). All opinions expressed are those of Fitch Ratings.

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