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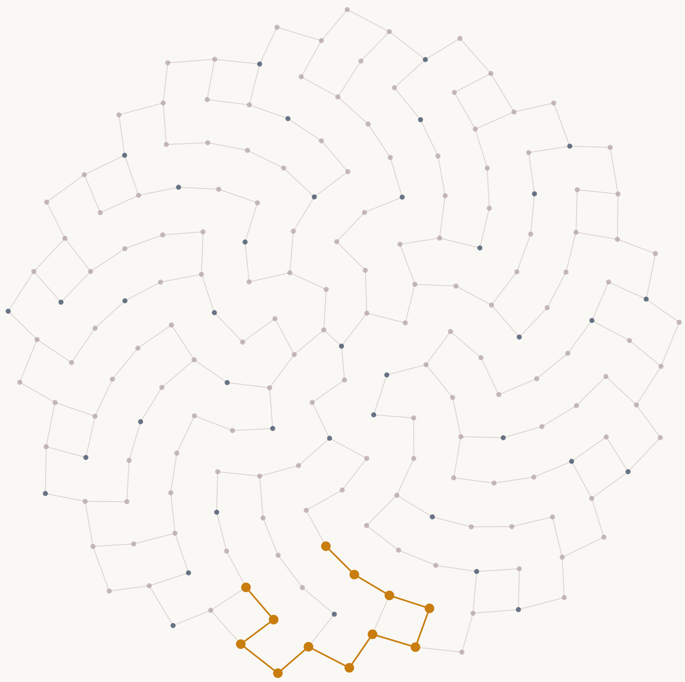

OBBBA and Clean Energy: New FEOC Rules Reshape Supply Chains

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By Sayari Analyst Team . Published July 2025 . sayari.com

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On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) fundamentally changed the clean energy tax incentive landscape by introducing Foreign Entity of Concern (FEOC) restrictions across four major tax credits. An FEOC is any entity owned by, controlled by, or subject to the jurisdiction or direction of China, Russia, Iran, or North Korea. This restriction applies directly to equipment sourcing, manufacturing partnerships, and supply chain compliance.

Unlike OFAC's Specially Designated Nationals (SDN) List, FEOC restrictions have no centralized watchlist. Organizations must independently trace ownership structures, identify beneficial owners across jurisdictions, and verify that neither direct suppliers nor upstream sources fall under FEOC restrictions. The stakes are material: four tax credits now subject to FEOC screening (§48E, §45Y, §45X, §45Z) represent millions in tax benefits. A single overlooked foreign ownership stake can jeopardize these credits. The verification process requires navigating corporate ownership across 250+ jurisdictions and identifying beneficial ownership through multiple corporate layers.

What OBBBA Changed: A Fundamental Shift in Clean Energy Tax Incentives

The Inflation Reduction Act (2022) offered substantial tax credits for clean energy with relatively permissive conditions. OBBBA reversed course: while rolling back many IRA incentives, it simultaneously expanded FEOC restrictions from narrow categories to the entire clean energy portfolio.

This creates a dual compliance burden. Projects qualifying under the IRA's original terms may no longer qualify if any material input has foreign government connections. The burden of proof rests with the applicant; the IRS will not provide advisory letters on FEOC status. Practitioners face comprehensive supply chain audits, new vendor diligence, and ongoing ownership monitoring. Organizations that fail to implement FEOC verification risk credit disallowance and recapture of previously claimed benefits. The regulatory environment has shifted from maximizing incentive value to mitigating compliance risk.

The Four Credits Now Subject to FEOC Rules: Scope and Specifications

OBBBA subjects four tax credits to FEOC restrictions. The Clean Electricity Investment Credit (§48E) applies to renewable energy generation property; FEOC restrictions require equipment (inverters, transformers, mounting systems) originate from suppliers without covered foreign ownership. The Clean Electricity Production Credit (§45Y) offers per-kWh credits; FEOC compliance extends to auxiliary systems and specialized materials. The Advanced Manufacturing Production Credit (§45X) incentivizes domestic production of clean energy components; manufacturers must verify input materials originate from FEOC-compliant sources. The Clean Fuel Production Credit (§45Z) applies to sustainable aviation fuel and clean hydrogen; producers must verify feedstock suppliers and processing equipment.

Across all four credits, "material reliance" on Specified Foreign Entities (SFE) or Foreign Influenced Entities (FIE) is prohibited. An SFE is a foreign entity owned or controlled by a covered nation. An FIE is substantially owned by or subject to a covered nation government. Neither term has a regulatory definition threshold, forcing organizations to err on the side of comprehensive verification.

The Verification Challenge: Ownership Tracing in a Global Market

FEOC verification requires tracing ownership through multiple corporate layers across 250+ jurisdictions. A solar panel manufacturer may source cells from one country, frames from another, and specialty materials from a third-each with its own ownership structure flowing through holding companies and subsidiary networks.

FEOC status turns on three criteria: direct ownership by a covered nation government, control by a covered nation government, or being "subject to the jurisdiction or direction of" a covered nation government. The third standard is particularly broad, encompassing entities that operate independently but exist within a covered nation's regulatory framework. Additionally, determination date is the construction start date (not the current date), requiring FEOC compliance verification before project commencement.

Verification requires corporate records research, beneficial ownership identification, and ongoing monitoring-infrastructure many organizations lack. It goes far beyond supplier questionnaires to encompass 800M+ potential companies across 250+ jurisdictions.

Implementation: Multi-Layer Tracing and Governance

Organizations implementing multi-layer verification frameworks extend beyond direct suppliers to beneficial owner level. The first layer involves direct supplier verification through corporate formation records and ownership documentation. The second layer requires upstream materials tracing-confirming critical materials (minerals, chemicals, components) do not originate from FEOC sources, with a single critical mineral requiring tracing from mining through refining and incorporation.

The third layer involves corporate network analysis-mapping relationships to understand whether entities are truly independent or ultimately controlled by covered nations. FEOC verification is not a one-time activity but ongoing, as supply chain relationships change and ownership shifts require re-verification. The scale of this challenge-across 250+ jurisdictions and 800M+ potential companies-requires infrastructure beyond spreadsheet-based processes.

Begin by mapping the supply chain at granular level-every supplier, component, material input, and manufacturing process. Next, prioritize verification by materiality and risk; not all elements carry equal risk. Implement verification using multiple information sources: corporate formation records, supplier questionnaires, and third-party research across corporate network databases. Establish formal governance frameworks that make FEOC compliance a documented process. When audits occur, organizations with documented verification procedures fare better than those without evidence of good-faith compliance.

Organizations need tools that map corporate networks, identify beneficial owners, trace materials across multiple tiers, and maintain current information as relationships evolve. Consider engaging partners with corporate network and beneficial ownership expertise. Sayari specializes in corporate network mapping and beneficial ownership research, helping trace supply chains and identify ownership structures across global markets. Sayari's approach combines automated analysis with expert verification, accelerating timelines while reducing manual effort.

Organizations that implement systematic processes and document diligence now position themselves to comply while preserving tax credit access. Those that delay face significant risk. For systematic guidance, Sayari's sourcing and procurement guidance addresses supply chain verification at scale. Sayari's entity resolution and corporate network mapping capabilities trace ownership across the global network with FEOC-required precision. Request a demo to see how systematic corporate network analysis supports FEOC verification. The regulatory landscape has shifted. FEOC compliance will affect your organization. Begin mapping your supply chain today.

Please visit sayari.com to learn more.

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