

# TURNING TAX STRATEGY INTO A CLIMATE PATHWAY FOR PET COMPANIES:

CASE STUDY

Using Tax Credit Transfers to Fund Decarbonization

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## Overview

Clean energy investments that once came at a cost to companies can now actually improve their bottom line. For companies with positive U.S. federal tax liability, transferable tax credits introduced by the Inflation Reduction Act offer a meaningful opportunity to fund clean energy investment while improving after-tax outcomes. This mechanism can be used by companies across the pet value chain, from manufacturers and retailers to distributors, logistics providers, and packaging companies.

This case study outlines how the mechanism works and the steps that companies can take to get started.

## Takeaways



### Decarbonization can generate immediate financial return

Transferable tax credits are one of the only mechanisms where decarbonization efforts directly improve after-tax outcomes right away, instead of years down the road.



### Reinvesting savings accelerates your climate goals.

Tax savings can go straight into renewable electricity procurement, fuel switching, or other sustainability projects, compounding the environmental impact over time



### Any U.S. tax liability can participate

Companies of all sizes, including multinationals headquartered outside the U.S., can participate as long as they have a U.S. tax obligation.

## About STX

STX is a global leader in environmental commodity markets, helping organizations navigate the full landscape of decarbonization solutions across scope 1, 2 and 3 emissions. They assist many members of the Pet Sustainability Coalition (PSC) in advancing their sustainability objectives, such as by supporting their procurement of Renewable Electricity Credits (RECs).

## The Challenge

Pet industry companies are under growing pressure to reduce their environmental footprint from customers, retail partners, regulators, and investors.

Scope 2 emissions, those generated by purchased electricity, represent a significant and addressable portion of most organization's carbon footprints. But the traditional paths to clean energy (Long-term power purchase agreements, on-site solar, and Renewable Energy Credits) often require meaningful financial commitment or long planning horizons.

## The Solution

Sustainability spending has long been treated as an overhead cost, but transferable tax credits reframe it as an investment. The expansion of tax credit transferability under the Inflation Reduction Act (IRA) has provided corporations with a direct avenue for investment in clean energy that was previously unavailable. Renewable energy developers are now able to sell their tax credits to third-party corporate purchasers at a discounted rate.

In response to the IRA, STX created a transferable tax credit solution that supports corporate buyers through project selection, due diligence, contract execution, and reinvestment. The team first tested the process in-house before launching it to clients and has supported over **\$2.7B in tax credit transactions over the last 12 months.**

Purchasing transferable tax credits is one of the most direct ways a corporation can support new clean energy development, as the transaction provides immediate capital for project developers.

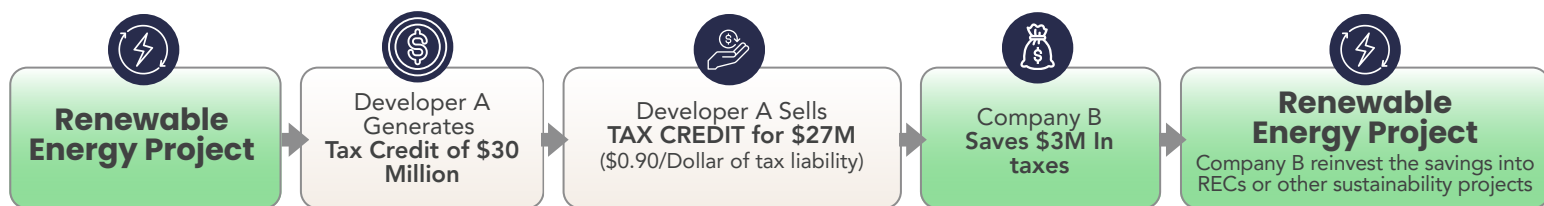
*"Transferable tax credits are a great handshake between the Chief Sustainability Officer and the Chief Financial Officer."* Harrison Wittenberg, VP Renewable Energy Tax at STX



## How it Works



### Example:



Companies frequently bundle tax credits with renewable energy purchases, enabling them to secure Renewable Energy Certificates (RECs) at a discount while streamlining the procurement process. When paired with bundled RECs or reinvested into onsite solar, transferable tax credits can support measurable Scope 2 reductions.

STX assists companies throughout this entire procedure, including identifying eligible clean energy projects, conducting due diligence on the developer's cost basis, facilitating internal stakeholder engagement, and managing the contract for purchase and sale.

## WHAT'S NEXT

The U.S. is in the middle of a clean energy build-out. Wind, solar, and renewable natural gas are being developed at record rates, which creates an accessible and growing supply of tax credits available to corporate buyers. This is not a niche financial instrument reserved for large banks or institutional investors, **it is an open market, and pet companies are well placed to participate in it.**

Tax Credits start at a rate based on either energy production or project capital expenditure, but are eligible for bonus adders to increase value of credits when located in designated energy communities, low-income areas, or contain certain domestic content levels, adding a greater overall project impact. That means the financial return on a well-selected transaction can be meaningfully higher than the base discount alone, while also **directing investment into communities and regions where clean energy development has the greatest economic impact.**

Multi-year purchase agreements add another layer of strategic value. Rather than treating this as a one-time transaction, companies can build transferable tax credits into their annual sustainability and finance planning, stabilizing costs and **creating a predictable source of capital for clean energy investment.** The savings generated each year can be directed toward renewable electricity procurement, a sustainable fuel switch, or internal decarbonization projects, compounding the environmental and financial impact over time.

## CALL TO ACTION

For companies with U.S. tax liabilities and climate commitments, transferable tax credits are one of the few mechanisms available today that can **support renewable energy buildout and improve financial outcomes at the same time.** Early movers will have more choice in the projects they select and more time to build the internal processes that make repeat transactions. The mechanism exists, the market is active, and the case for acting is strong. To get started, reach out to [jordan.woll@stxgroup.com](mailto:jordan.woll@stxgroup.com)

