WECosystem Action Forum

"U.S. Inflation Reduction Act and Implications for Sustainable Business"

October 6, 2022 - Summary

WHAT:

The U.S. Inflation Reduction Act (IRA) is a landmark legislation and the most ambitious U.S. federal policy ever to tackle the climate crisis. The act includes $369 billion for investments in clean energy and climate solutions which are projected to reduce U.S. greenhouse gas emissions 40 percent by 2030 from a 2005 baseline. IRA makes investments in climate mitigation technology more attractive and strengthens value chains in the U.S. WEC helped to inform its member companies by providing an hour of condensed business-relevant information and an opportunity for companies to discuss this topic. 15 companies joined the speakers and WEC.

SPEAKERS & MODERATOR

- **Carla Frisch**, Acting Exec. Director & Principal Dep. Director, Office of Policy, U.S., Department of Energy
- **Grace van Horn**, Principal Consultant, ERM
- **Moderator: Glenn Prickett**, President & CEO, World Environment Center

KEY INSIGHTS AND MAJOR POINTS OF DISCUSSION:

1. The Inflation Reduction Act (IRA) is the third of **related laws:** (1) The Bipartisan Infrastructure Law (Nov 2021) can be seen as a "backbone" for infrastructure investments in the U.S., (2) the CHIPS and Science Act (July 2022) serves as a "brain" as it invests in innovation to boost American competitiveness and strengthen supply chains within the country. (3) The IRA (Aug 2022) represents the "lungs" as it breathes life into a clean energy economy by incentivizing deployment of clean technologies and lowering energy costs for American families.
2. The IRA works by providing 10 years of clear certainty for investments in clean energy. The act provides **tax credits for consumers and loans and tax credits** for companies to invest in clean energy, targeting many industries including next generation steel and cement manufacturing and agriculture/forestry. More credits are given if those investments take place in disadvantaged communities.
3. While the IRA will have a significant impact on investments in climate mitigation, it also makes **major critical investments in supporting economic development and climate justice in the U.S.** by incentivizing domestic production and quality jobs. The tool to incentivize good labor practices is that the tax credit for clean energy can be multiplied up to the factor 5 (and thus a tax credit of 20% goes to 100%) if good labor practices are achieved at the same time.
4. Substantial incentives are also provided to **decarbonize every part of the transportation ecosystem** such as manufacturing (including components at the beginning of the value chain), charging infrastructure, and alternative fuels. For corporates there are major incentives for electric fleets and for charging infrastructure. For the first time there are also incentives for the purchase of used electric vehicles.
5. The IRA incentives are technology neutral, to some extent because of the long period of the legislation and the possibility of innovations that cannot be foreseen today. **Much of the money available is being administered through states**: it is recommended that companies actively look at the states they're operating in as these need private sector partners to think BIG in practice and spend the money. At the same time a focus on climate justice enables small communities to spend money and partner in projects like never before.

FURTHER RESOURCES:

U.S. Department of Energy: Inflation Reduction Act Facts

ERM Market Update - Inflation Reduction Act Climate Provisions - August 2022