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The Inflation Reduction Act is now law: What does it mean for the clean energy sector?

August 18, 2022 | | By **R. Neal Martin**, **Courtney O. Taylor**, **Thomas R. Burton, III**, **Anne S. Levin-Nussbaum**

One and a half years into the Biden Administration and with the 2022 mid-term elections fast approaching, Democrats secured a major legislative victory with final passage of the *Inflation Reduction Act of 2022* (IRA) – a landmark climate and health care bill that achieves at least some of the party's campaign promises and long-held policy goals.

When President Biden's signature *Build Back Better Act* faltered last year even after being shrunk from a cost of $3.5 trillion to $2.2 trillion, many viewed the effort to be a failure. However, negotiations – mostly quiet and behind the scenes, and sometimes awkwardly public – continued between Senate Majority Leader Chuck Schumer (D-NY) and Sen. Joe Manchin (D-WV). In late July, the two announced they had agreed on a $740 billion package focused on inflation and deficit reduction, health care, and energy security and climate change.

The IRA raises $737 billion in revenue through a new 15% corporate book minimum tax, reform of prescription drug pricing, IRS tax enforcement, a 1% excise tax on stock buybacks, and a two year extension of the excess business loss limitation rules. The bill makes $437 billion in investments, including $369 billion for energy security and climate change, $64 billion for *Affordable Care Act* subsidies extension, and $4 billion for Western drought resiliency. Congressional Democrats and the White House say the bill will reduce the federal deficit by more than $300 billion.

The IRA was approved by the Senate 51-50 on August 7 under budget reconciliation rules allowing passage of a bill with a majority vote and foregoing the usual 60-vote threshold to end debate. All Democratic senators supported the IRA and all Republicans opposed the bill, with Vice President Kamala Harris casting the tie-breaking vote. In the House of Representatives, where progressives had long argued for a more robust bill, the bill was approved on August 12 in a 220-207 vote with all Democrats in favor and all Republicans opposed.

Energy and climate tax incentives in the IRA are focused on energy generation, energy manufacturing, clean fuels, clean vehicles, carbon sequestration, and energy efficiency. A detailed analysis of key IRA energy and climate tax incentives by our Mintz colleague Anne Levin-Nussbaum can found by clicking **HERE**.

The new law includes many direct funding opportunities in the form of grants, loans, and rebates focused on climate, energy, and energy efficiency. 16 federal agencies and offices receive direct appropriations totaling nearly $148 billion for investments in climate, energy, and energy efficiency. The vast majority of that funding goes to the U.S. Department of Agriculture (USDA) at nearly $47 billion, the Environmental Protection Agency (EPA) at $41.5 billion, and the U.S. Department of Energy (DOE) at just over $35 billion.

Just to highlight a few of the many opportunities found in the IRA:

DOE funding includes grants for the manufacture of low- and zero-emission vehicles; the purchase and installation of advanced industrial technologies that support emissions reduction in energy intensive industries; loans for new high-capacity electric transmission lines; funding for interregional and offshore wind electricity planning, modeling, and analysis; funding for state energy offices to develop and implement rebates for whole-house energy savings retrofits; funding for state and local governments to update building codes; funds for national laboratories; and loan guarantees to support energy infrastructure reinvestment financing.

EPA funding includes programs focused on decarbonization and emissions reduction, including a new Greenhouse Reduction Fund which can be used to create a National Climate Bank to partner with the private sector and community-based lenders to investment in clean energy technologies and energy efficiency improvements; grants and rebates for state and local governments for replacing heavy-duty vehicles with zero-emissions vehicles; grants and rebates for ports to purchase zero-emission equipment and technology; grants, loans, contracts, and rebates for private industry to monitor and reduce methane emissions from systems using natural gas or petroleum; grants under the *Diesel Emissions Reduction Act* program for projects at airports, railyards, and distribution centers; grants to monitor and reduce air pollution in low-income and disadvantaged schools and communities; funding for administration of the

Renewable Fuels Standard; and funding for implementation of the *American Innovation and Manufacturing (AIM) Ac*t.

USDA opportunities are focused on conservation programs including investments in agricultural conservation efforts such as competitive grants for infrastructure projects related to blending, storing, supplying, or distributing biofuels; assistance for underserved farmers, ranchers, and foresters; National Forest System reforestation; grants for forest owners seeking to mitigate the impact of climate change or develop forest resilience; reducing or otherwise addressing emissions of GHG emissions including methane, carbon dioxide, and nitrous oxide; funding for electric loans for renewable energy; and loans and grants for electric cooperatives to the purchase of renewable energy, renewable energy systems, zero-emissions systems, and carbon capture and storage systems.

Although at significant smaller levels of funding, numerous other federal agencies will receive IRA funding for energy and climate efforts.

The IRA provides funding to the **General Services Administration (GSA)** to convert GSA facilities to high-performance green buildings, purchase low-embodied carbon materials for new construction and upgrades of GSA facilities; and to support emerging and sustainable building technologies. **U.S. Postal Service (USPS)** funding will go toward the purchase of zero-emission delivery vehicles and design and installation of the required charging infrastructure. **The U.S. Department of Housing and Urban Development (HUD)** will use IRA funding for loans and grants supporting improvement of energy and water efficiency in affordable housing; increased indoor air quality; and zero-emission electricity, among other uses. **The U.S. Department of the Interior (DOI)** will grant leases, easements, and rights-of-way for offshore wind on the Atlantic coast, the Gulf coast, and the U.S. territorial continental shelves. **The U.S. Department of Transportation (DOT)**, which had previously received significant funding in the *Infrastructure Investment and Jobs Act* (the bipartisan infrastructure law which took effect in November 2021), receives additional funding in the IRA for a competitive grant program to develop and demonstrate low-emission aviation technologies and produce, transport, blend, or store sustainable aviation fuels.

President Biden signed the IRA into law on August 16, and the hard work of implementing the new law will now begin.

ML Strategies and Mintz hosted a webinar on August 18, 2022 titled “The Inflation Reduction Act of 2022 – Are You Ready?” covering the energy and climate tax and funding provisions. The webinar slides can be viewed by clicking **HERE**.

As implementation of this landmark legislation gets underway, ML Strategies professionals, along with our colleagues at the Mintz law firm, welcome the opportunity to answer any questions about how the Inflation Reduction Act may impact your business or organization.

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