

Summary of the Energy Security and Climate Change Investments in the Inflation Reduction Act of 2022

Both high energy costs, and the growing impacts of climate change, pose a significant burden to every American. The historic investments included in the *Inflation Reduction Act of 2022* will bring down consumer energy costs, increase American energy security, while substantially reducing greenhouse gas emissions.

The combined investments in the FY2022 Budget Reconciliation bill would put the U.S. on a path to roughly 40% emissions reduction by 2030, and would represent the single biggest climate investment in U.S. history, by far.

The Inflation Reduction Act:

1. ***Lowers energy costs for Americans*** through policies that will lower prices at the pump and on electricity bills, help consumers afford technologies that will lower emissions and energy prices, and reduce costs that would otherwise be passed on to them.
2. ***Increases American energy security*** through policies to support energy reliability and cleaner production coupled with historic investments in American clean energy manufacturing to lessen our reliance on China, ensuring that the transition to a clean economy creates millions of American manufacturing jobs, and is powered by American-made clean technologies.
3. Invests in ***decarbonizing all sectors of the economy*** through targeted federal support of innovative climate solutions.
4. ***Focuses investments into disadvantaged communities*** to ensure that communities that are too-often left behind will share in the benefits of the transition to a clean economy.
5. Supports ***resilient rural communities*** by investing in farmers and forestland owners to be part of growing climate solutions, and by ensuring rural and communities are able to better adapt to a rapidly changing climate.

1. Lower Consumer Energy Costs

This bill will provide a range of incentives to consumers to relieve the high costs of energy and decrease utility bills. This includes direct consumer incentives to buy energy efficient and electric appliances, clean vehicles, and rooftop-solar, and invest in home energy efficiency, with a significant portion of the funding going to lower-income households and disadvantaged communities.

- \$9 billion in **consumer home energy rebate programs**, focused on low-income consumers, to electrify home appliances and for energy efficient retrofits.
- 10 years of **consumer tax credits to make homes energy efficient and run on clean energy**, making heat pumps, rooftop solar, electric HVAC and water heaters more affordable.
- \$4,000 consumer tax credit for lower/middle income individuals to buy used-clean vehicles, and up to \$7,500 tax credit to buy new clean vehicles.
- \$1 billion grant program to make affordable housing more energy efficient.

2. American Energy Security and Domestic Manufacturing

This bill will support energy reliability and cleaner energy production coupled with historic investments in American clean energy manufacturing. It includes over \$60 billion to on-shore clean energy manufacturing in the U.S. across the full supply chain of clean energy and transportation technologies. These manufacturing incentives will help alleviate inflation and reduce the risk of future price shocks by bringing down the cost of clean energy and clean vehicles and relieving supply chain bottlenecks.

- Production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing, estimated to invest \$30 billion.
- \$10 billion **investment tax credit to build clean technology manufacturing facilities**, like facilities that make electric vehicles, wind turbines and solar panels
- \$500 million in the Defense Production Act for heat pumps and critical minerals processing
- \$2 billion in **grants to retool existing auto manufacturing facilities to manufacture clean vehicles**, ensuring that auto manufacturing jobs stay in the communities that depend on them.

- Up to \$20 billion in loans to build new clean vehicle manufacturing facilities across the country.
- \$2 billion for National Labs to accelerate breakthrough energy research.

3. Decarbonize the Economy

The investments in this bill will reduce emissions in every sector of the economy, substantially reducing emissions from electricity production, transportation, industrial manufacturing, buildings, and agriculture.

- Tax credits for clean sources of electricity and energy storage and roughly \$30 billion in targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity.
- Tax credits and grants for clean fuels and clean commercial vehicles to reduce emissions from all parts of the transportation sector.
- Grants and tax credits to reduce emissions from industrial manufacturing processes, including almost \$6 billion for a new Advanced Industrial Facilities Deployment Program to reduce emissions from the largest industrial emitters like chemical, steel and cement plants.
- Over \$9 billion for Federal procurement of American-made clean technologies to create a stable market for clean products, including \$3 billion for the U.S. Postal Service to purchase zero-emission vehicles.
- \$27 billion **clean energy technology accelerator** to support deployment of technologies to reduce emissions, especially in disadvantaged communities.
- A **Methane Emissions Reduction Program** to reduce the leaks from the production and distribution of natural gas.

4. Invest in Communities and Environmental Justice

Building on regular engagement with EJ leaders from across the country, this package includes over \$60 billion in environmental justice priorities to drive investments into disadvantaged communities. Some of the highlights include:

- The **Environmental and Climate Justice Block Grants**, funded at \$3 billion, invest in community led projects in disadvantaged communities and community capacity building centers to address disproportionate environmental and public health harms related to pollution and climate change.
- The **Neighborhood Access and Equity Grants**, funded at \$3 billion, support neighborhood equity, safety, and affordable transportation access with

competitive grants to reconnect communities divided by existing infrastructure barriers, mitigate negative impacts of transportation facilities or construction projects on disadvantaged or underserved communities, and support equitable transportation planning and community engagement activities.

- **Grants to Reduce Air Pollution at Ports**, funded at \$3 billion, support the purchase and installation of zero-emission equipment and technology at ports.
- **\$1 billion for clean heavy-duty vehicles**, like school and transit buses and garbage trucks.
- Some of the previously mentioned programs that focus on disadvantaged and low-income communities are also important to environmental justice, like the **technology accelerator and consumer home energy rebate programs**. In addition, many of the **clean energy tax credits** include either a bonus or set-aside structure to drive investments and economic development in disadvantaged communities.

5. Farmers, Forestland Owners and Resilient Rural Communities

This bill will make historic investments to ensure that rural communities are at the forefront of climate solutions. The investments affirm the central role of agricultural producers and forest landowners in our climate solutions by investing in climate-smart agriculture, forest restoration and land conservation. It also makes significant investments in clean energy development in rural communities.

- More than \$20 billion to support **climate-smart agriculture practices**.
- \$5 billion in grants to support healthy, fire resilient forests, forest conservation and urban tree planting.
- Tax credits and grants to support the domestic production of biofuels, and to **build the infrastructure needed for sustainable aviation fuel and other biofuels**.
- \$2.6 billion in **grants to conserve and restore coastal habitats** and protect communities that depend on those habitats.