THIRD WAY

NEWSLETTER *Published August 18, 2023 • 7 minute read*

On the Grid: Celebrating One Year of the Inflation Reduction Act 8/18/23

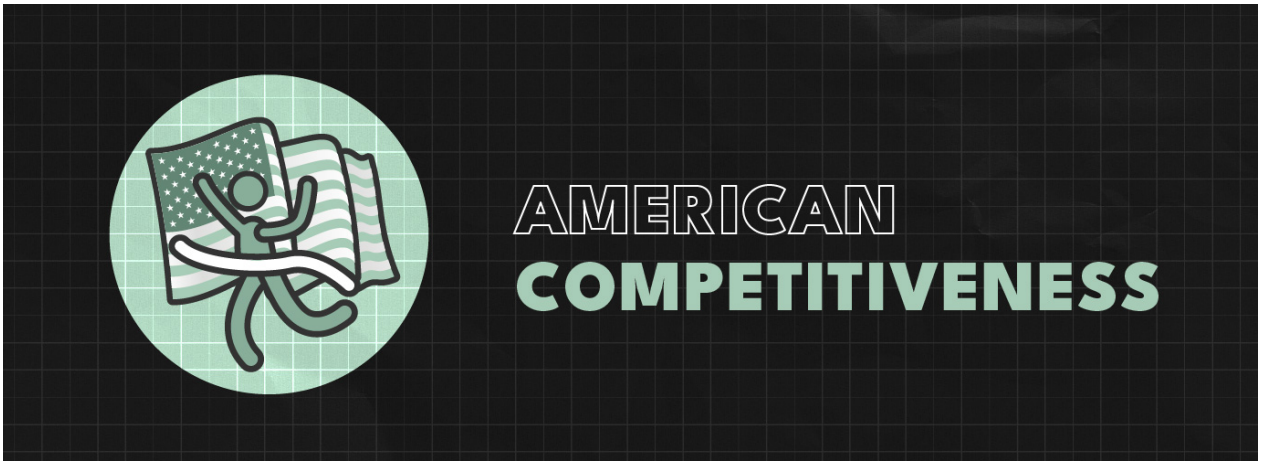
Mary Sagatelova
Communications and Content Advisor
@MarySagatelova

Click HERE to subscribe to this weekly newsletter.

One year ago, President Biden signed the Inflation Reduction Act (IRA) into law, securing a historic $369 billion investment in clean energy. Since then, we've gotten a clearer sense of the bill's impact. As the single largest federal investment in climate action, the IRA is an unapologetically capitalist approach that is turbocharging clean energy innovation, reigniting American manufacturing, cutting costs for families, and creating new, good-paying jobs. Perhaps most importantly, it is also providing US leadership in the global clean energy transition. You can read some of the reasons why we love the bill here.

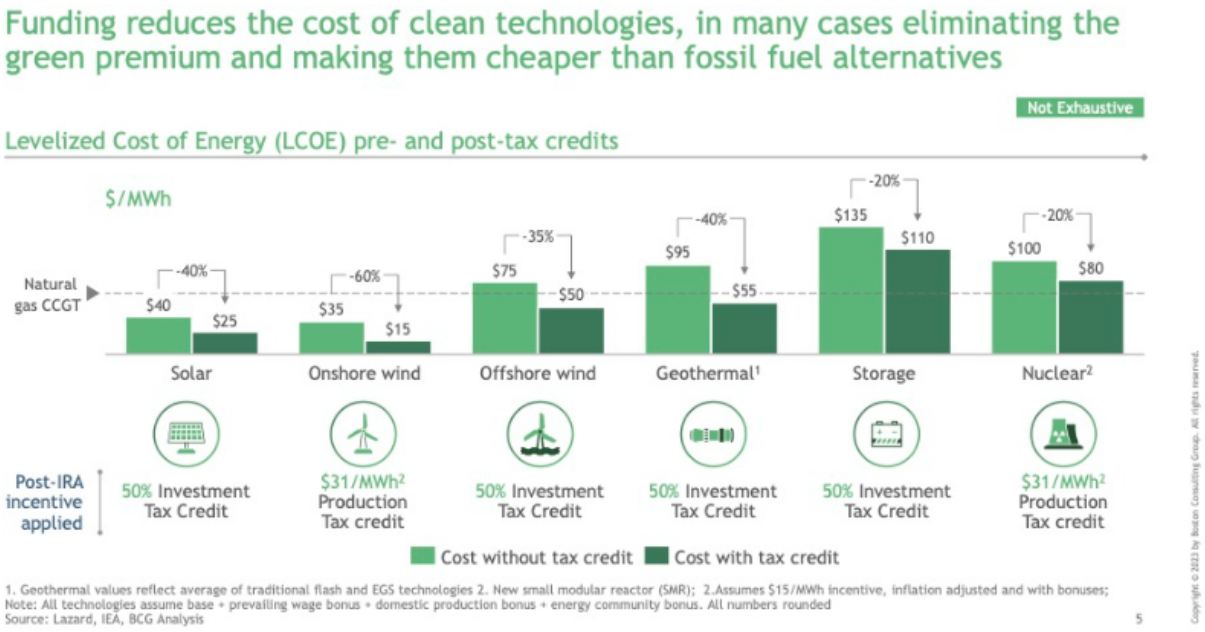
We've still got a lot of work cut out for the US government to get funding out the door quickly and remove regulatory roadblocks that are slowing deployment down, but we're optimistic about

America's future. This week, join us in celebrating a once-in-a-generation investment in clean energy and one that we were proud to have helped shape.



With $369 billion in incentives and investments in clean energy, the IRA is laying the blueprint for a modern American industrial strategy. At its core, the legislation invests in sectors that are foundational to our economic growth and energy security, ensuring that American industries are not just keeping pace with global trends but dictating the terms.

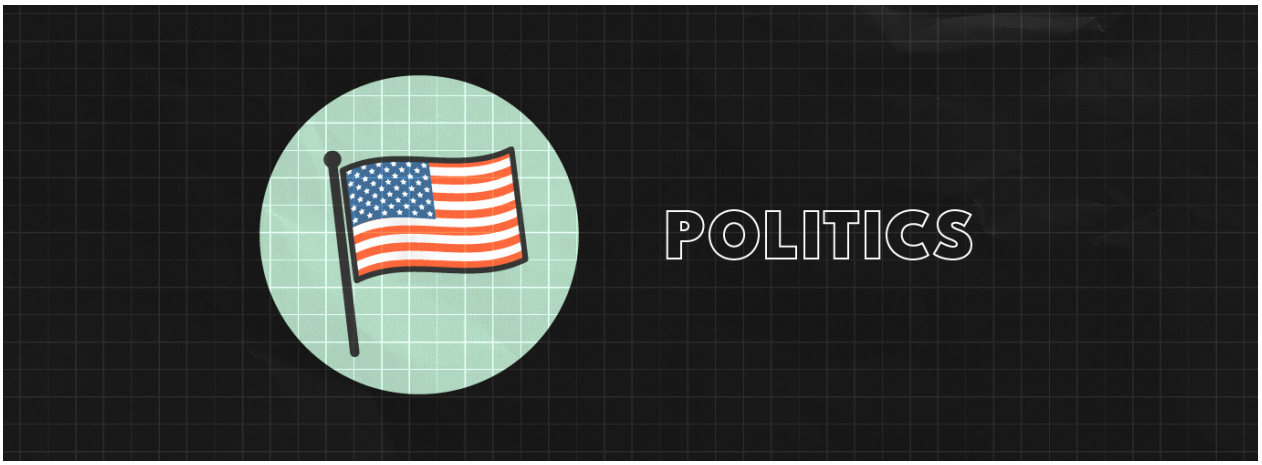
Alongside other clean energy policies, like the Energy Act of 2020 and the Bipartisan Infrastructure and CHIPS and Science laws, the IRA is helping cut the cost of clean energy by nearly 60% overall. Here's a breakdown of some of the specific cost reductions spurred by the bill:



Over the past year, we've seen these immense savings play out as companies responded to the government's clear lead, taking advantage of grants, loans, and tax credits to retool, expand, and build new clean energy manufacturing facilities. Collectively, the private sector invested billions and is projected to deploy nearly $1 trillion in private sector investment within the decade.

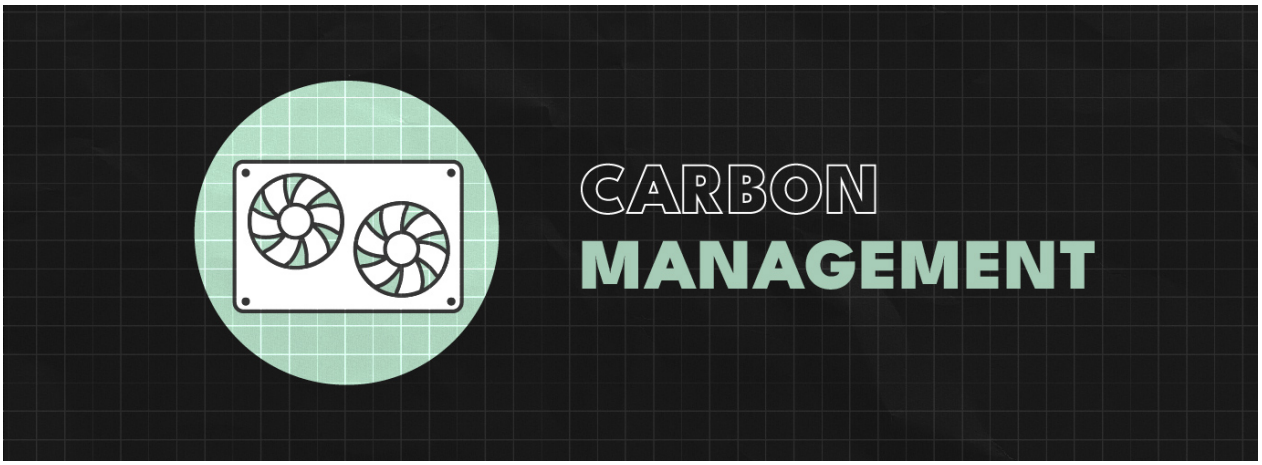
As Dr. Ellen Hughes-Cromwick noted in *MIT Technology Review* this week, "*We're still in the early days. Look at what we've seen after one year. Can you imagine what we're going to see with 10 years of this support?*"

Removing cost barriers is just one piece of the puzzle. Up next on the docket, we need to streamline complex and lengthy permitting processes, strengthen domestic supply chains, clarify federal rules, scale up enabling infrastructure, and empower the American workforce.



Amid this week's celebration of the IRA, an underlying theme is gaining traction—that the legislation and its $369 billion investment in clean energy is not sufficient enough to help us meet our climate goals. There's some truth to this, but let's be clear. To realize the full potential of the IRA, we've got some work ahead of us. Yes, we'll need to overhaul our complex permitting process, remove barriers to deployment, and charge a clearer path forward for the private sector. However, it's important that we don't lose sight of the accomplishment and enormous impact on the US economy, national security, global leadership, and climate the IRA is already having. These are *big wins*. Not only is the IRA doubling the pace of annual decarbonization and getting the US on track to cut 5.6 billion tons of carbon emissions over the next decade, but the bill will help lower energy costs for businesses and families.

Continuing to emphasize shortcomings and voicing doubt not only undermines and misrepresents our progress; it gives Republicans a platform to argue for repealing key components of the IRA. This is not an academic worry, it's something they've *already* attempted during debt ceiling negotiations. As we focus on refining processes and scaling up clean energy technologies over the next few years, we're optimistic that the best is yet to come. But for now, let's celebrate how far we've come.



It's no longer up for debate–if we want to slash emissions and keep warming below 1.5ºC, then we *must* embrace every clean energy tool in our arsenal. That includes carbon management technologies like direct air capture (DAC) that will help clear the carbon pollution that has been circulating in the atmosphere for decades while simultaneously capturing new emissions. Currently, there is only one commercial-scale DAC facility in operation. With $3.5 billion in hand from the Bipartisan Infrastructure Law to deploy 4 regional direct air capture (DAC) hubs, the Department of Energy (DOE) is about to tip the scale.

Last week, the Biden Administration announced its first wave of investment to scale up DAC facilities in the US, choosing two projects to receive $1.2 billion in federal funding. Project Cypress in southwest Louisiana, a partnership between Climeworks, Heirloom, and Battelle, is expected to create 2,300 good-paying jobs and capture and permanently store over 1 million metric tons of carbon from the atmosphere per year. Meanwhile, Occidental Petroleum's collaboration with Carbon Engineering and Worley in Kleberg County, Texas will build and operate the South Texas DAC Hub across 106,000 acres, creating 2,500 good-paying jobs and capturing 1 million tons of carbon per year. DOE intends to announce funding for two additional hubs in 2024.

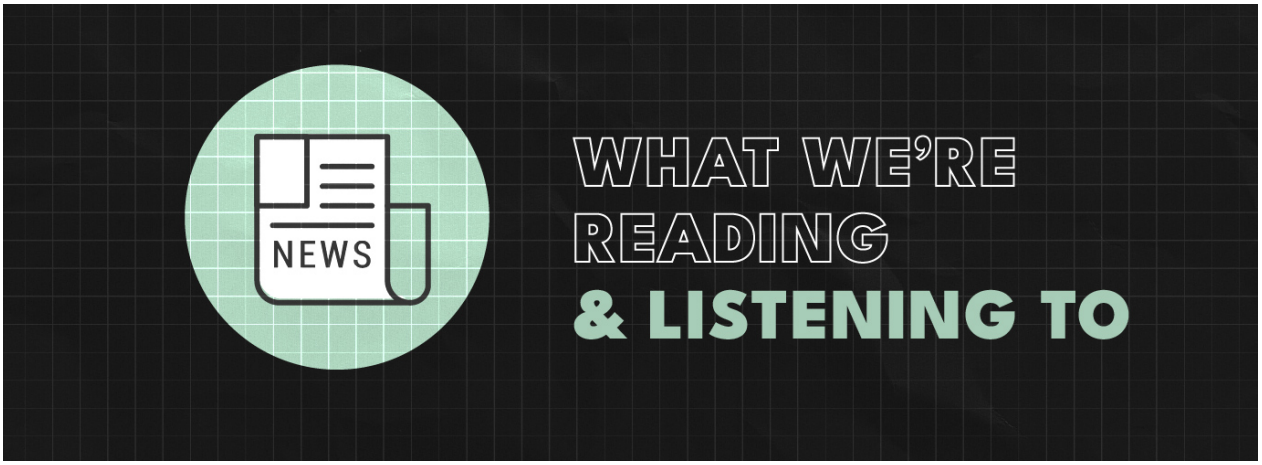
The figures we see are monumental in themselves, removing a combined 2 million metric tons of carbon annually and creating 4,800 good-paying jobs in the US. But we can see the bigger picture if we take a step back. As Robinson Meyer puts it, we're kickstarting an ambitious new industry and one that the US is well-positioned to lead.

This week, UK Chancellor of the Exchequer, Jeremy Hunt, made two bold announcements–one, the UK will *not* roll out a clean energy funding package that mirrors the IRA, instead relying on existing tools like its Contracts for Difference scheme to try and drive private investment, and two, that the Biden Administration's subsidy and tax credit based approach is "protectionist."

It's very disappointing to see one of our closest allies take a step back from its long-held leadership role in clean energy and misinterpret the underpinning of the IRA. Rather than acting as an overbearing force that stifles competition or a blind gamble on an uncertain future, the IRA is fostering innovation and accelerating the production of more reliable and affordable clean energy sources that are in the national interest. By acting as a catalyst, the IRA is crowding in private investment, creating an environment that gives the private sector the confidence to invest and magnify every dollar spent.

In a world crying for global cooperation, the UK must work alongside the US and EU to ensure market certainty and guide demand for more affordable clean energy. Declaring that the IRA is protectionist and that they won't implement a similar package is not a real approach. And with reports that the UK is falling far behind other global economies in low-carbon power generating capacity, it's time the UK gets serious.

As Josh Freed, Senior Vice President for the Climate and Energy Program at Third Way, puts it, "Our hope is that within the confines of its own system, the UK will leverage the private sector and provide certainty for investment. Their current approach signals a concerning lack of vision and will from the current conservative government. With Russia's shadow looming over global energy security, the transition to cleaner, more reliable sources couldn't be more important. The UK's stance erodes both the confidence in security and certainty that private businesses want and their global leadership."



- Emily Pontecorvo at *Heatmap* provides a practical guide for leveraging the subsidies and tax credits in the IRA to cut individual carbon emissions.
- Sammy Roth in the *Los Angeles Times*, reports on the Audubon Society's recent support for building more clean energy infrastructure to displace fossil fuels, even if that means harming certain birds, underpinning a shift in how conservation groups are approaching the clean energy transition.
- Kerrin Jeromin and Taylor Mankle, co-hosts of the new podcast series *Transforming Energy*, share the latest research and news emerging from the US Department of Energy's National Renewable Energy Laboratory. Tune in to their latest episode on how microgrids can be leveraged to build energy independence and resilience in Ukraine.

Third Way's Climate and Energy Program celebrates the one-year anniversary of the IRA by pairing major clean energy projects with a zodiac sign.

Third Way Climate & Energy
@ThirdWayEnergy

As we hit the 1-year anniversary of the Inflation Reduction Act, it's clear to see the wide-range of projects that have sprung up in its wake!

To say "Happy Birthday", join us as we match each of the Zodiac signs with these IRA projects to celebrate. 🧵 1/13