OVERVIEW

• The Inflation Reduction Act (IRA) makes historic investments in climate action that are expected to reduce U.S. emissions ~40% by 2030 while supporting disadvantaged communities and the clean energy industrial base.

• IRA investments will drive significant emissions reductions over the next decade while also laying the groundwork for long-term decarbonization hard-to-abate sectors.

• EPA will play a major role in delivering these programs. The Agency received $41.5 billion in appropriated funds and expects to receive an additional $11.7 billion in future revenue from reinstating the Superfund Tax on oil and gas production.
### BREAKDOWN OF CLIMATE & ENERGY FUNDING

**Total Climate and Energy Funding ($, billions)**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Appropriations ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credits</td>
<td>271</td>
</tr>
<tr>
<td>EPA</td>
<td>56</td>
</tr>
<tr>
<td>USDA</td>
<td>47</td>
</tr>
<tr>
<td>DOE</td>
<td>35</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>24</td>
</tr>
</tbody>
</table>

- **Significant support for the electricity sector (PTC/ITC/45Q/45U), manufacturing, energy efficiency, electric vehicles, and low carbon fuels.**
- **Includes $41.5 billion in appropriated spending and $11.7 billion in new Superfund tax revenue.**
- **At least 15 other agencies received appropriated funding in the legislation. USDA and DOE were the other two major recipients.**
- **Other agencies that received over $1B in appropriations include:**
  - Department of the Interior ($6.7B)
  - Department of Transportation ($5.4B)
  - General Services Administrator ($3.4B)
  - Department of Commerce ($3.3B)
  - U.S. Postal Service ($3B) \(\text{Electric postal trucks!}\)
  - Housing and Urban Development Agency ($1B)

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1. Preliminary Joint Committee on Taxation analysis. Further CBO projections pending.

Source: Senate Democrats, Joint Committee on Taxation, CBO
EPA received $41.5 billion in appropriations to support 24 new and existing programs. This makes EPA the second largest recipient of discretionary funding after USDA (see exhibit to right). In addition, Superfund will receive ~$11.7 billion in tax revenue.

Six new EPA programs account for 98% of this total funding:

- **Greenhouse Gas Reduction Fund ($27 billion)** – Capitalize existing and new green banks that will invest in emission reduction projects at the state and local level.
- **Climate Pollution Reduction Grants ($5 billion)** – Provide grants at the state, local, and Tribal level to develop plans to reduce greenhouse gas emissions and implement those plans. At least one grant will go to an eligible entity in every state. *(OAR)*
- **Environmental and Climate Justice Block Grants ($3 billion)** – Fund community-based nonprofit organizations to support a wide range of climate and environmental justice activities.
- **Grants to Reduce Air Pollution at Ports ($3 billion)** – Award rebates and grants for ports to purchase and install zero-emission technology and develop climate action plans.
- **Methane Emissions Reduction Program ($1.55 billion)** – Fund grants and technical assistance to accelerate emissions reduction from petroleum and natural gas systems. Also establish a methane waste emissions charge starting at $900 per ton in 2024 and increasing to $1,500 per ton by 2026.
- **Clean Heavy-Duty Vehicles ($1 billion)** – Provide grants, rebates, and contract support to replace heavy duty vehicles with zero emission alternatives. $400 million is specifically for nonattainment areas.
# INVESTMENTS ACROSS GOVERNMENT BUILD ON THE INFRASTRUCTURE LAW PASSED LAST YEAR

<table>
<thead>
<tr>
<th>Category</th>
<th>Inflation Reduction Act</th>
<th>Bipartisan Infrastructure Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Justice</td>
<td>$60B including new grant programs to reduce pollution, a Clean Energy and Sustainability Accelerator, &amp; bonus credits for clean energy projects and jobs in disadvantaged communities</td>
<td>$21B to clean up legacy pollution; $15B to replace lead pipes; $10B for clean buses; $500M for LIHEAP</td>
</tr>
<tr>
<td>Power Sector</td>
<td>Clean energy tax credits that will more than double wind, solar, and battery storage deployment; &gt;$10B for rural electric systems and clean energy upgrades; $2B for transmission projects</td>
<td>$16.5B for grid upgrades like transmission; &gt;$9B for nuclear and hydropower</td>
</tr>
<tr>
<td>Transportation</td>
<td>Tax credits for EVs (up to $7,500 new/$4,000 used); clean commercial vehicles, EV chargers, and Sustainable Aviation Fuel; $3B for clean USPS trucks; $1B for other heavy-duty vehicles</td>
<td>&gt;$90B for public transportation; $66B for rail; $7.5B for EV charging; $7B for battery supply chains; $6.4B for state actions</td>
</tr>
<tr>
<td>Industry</td>
<td>$60B for U.S. clean energy manufacturing; $6B for cleaner industrial facilities; $1.5B for methane reduction</td>
<td>$9.5B for clean hydrogen; $10B for direct air capture and carbon capture</td>
</tr>
<tr>
<td>Buildings</td>
<td>$9B in rebates for electric appliances and efficiency upgrades; tax credits for home/business retrofits and efficient new construction; $1B for affordable housing upgrades; $1B for building codes</td>
<td>$3.5B for Weatherization Assistance Program; $550M for energy efficiency block grants; $500M for clean &amp; efficient school buildings</td>
</tr>
<tr>
<td>Land/Ag</td>
<td>$21B for climate-smart agriculture and forestry</td>
<td>$1.4B for ecosystem restoration and resilience</td>
</tr>
<tr>
<td>Climate Resilience</td>
<td>$4.5B for drought; $2.6B for coastal communities; $1.8B to reduce wildfire risk in National Forests; $1.5B for urban tree planting</td>
<td>$50B for resilience to drought, wildfire, heat, flooding, coastal impacts, and other threats</td>
</tr>
</tbody>
</table>
GUIDING PRINCIPLES

- Maximize benefits – public health and climate benefits
- Prioritize environmental justice
- Harmonize management structures, regulations, funding and grants
- Engage inclusively with stakeholders
- Support and build on EPA regions’ strengths
- Safeguard financial integrity
1. Decarbonizing the Electric Grid:
   • **PTC/ITC:** Extends current PTC/ITC tax credits until 2025, then establishes new technology neutral PTC/ITC programs for zero- and low-carbon electricity generation. Additional funding for projects meeting domestic content, labor standards, and established in low-income communities or energy communities.
     • Establishes direct pay option for non-profit and governmental entities (e.g., cooperatives, munis) and credit transfer reforms that will significantly reduce transaction costs for tax equity financing across all eligible projects.
     • Credits phase down after 2032 or when US emissions have dropped at least 75% from 2022 levels, whichever is later.
   • **Methane Emissions and Waste Reduction Incentive Program:** Provides EPA with $1.55 billion to fund upstream and midstream methane emissions reduction initiatives and implement a fee (details follow).

2. Accelerating Clean Transportation:
   • **Tax Credits:** Replaces the existing EV tax credit with a new tax credit that will provide up to $7,500 for new EV purchases and $4,000 for used EVs provided household incomes do not exceed $300,000. There is no cap on the number of vehicles manufacturers may sell under the tax credit but to qualify they must meet increasingly stringent content standards for domestic manufacturing.
   • **EPA:** $3 billion to reduce air emissions at ports and $1 billion for investments in zero-emission heavy duty vehicles.
   • **GSA/USPS:** $9 billion for the federal government to procure clean technologies, including $3 billion for USPS fleet electrification.

3. Industrial Decarbonization:
   • **Hydrogen:** New clean hydrogen PTC ($0.60-3.00/kg based on emissions intensity) with a direct-pay option.
   • **CCUS:** Makes 45Q credits direct pay and increases credits up to $85/ton (and up to $180/ton if using direct air capture).
SIGNIFICANT POLICIES AND PROGRAMS ACROSS FEDERAL AGENCIES (2 OF 2)

4. Clean Buildings:
   - **Rebates:** Up to $14,000 in rebates per home targeted towards low-income customers for energy efficiency and electrification programs.
   - **Tax Credits:** Extends the 25C Residential Energy Efficiency Tax Credit and tax deductions for energy-efficient commercial buildings.

5. Environmental & Climate Justice:
   - **LI/DAC:** Channels at least $60 billion in various program investments to reduce pollution & support clean infrastructure including $3 billion in Climate and Environmental Block Grants at EPA.
   - **Affordable Housing:** Provides up to $4 billion for projects to improve water, air, resiliency of affordable housing.
   - **Climate resilience:** Includes $200 million for Tribal climate resilience & adaptation programs.

6. Agriculture & Forestry:
   - **Agricultural conservation:** Adds $20 billion for various conservation programs and provides $1.3 billion towards conservation technical assistance.
   - **Forestry conservation:** Invests $2.2 billion into regional conservation programs to plant trees for natural carbon sequestration efforts.
   - **Coastal communities:** Provides $2.6 billion to NOAA to provide direct funding, grants, & technical assistance to protect coastal & marine habitats.

7. Cross-cutting Initiatives:
   - **Climate action at state & local levels:** Allocates agencies with discretionary grants to support & bolster state / local / tribal climate leadership.
     - EPA: $5 billion grant to provide competitive awards for state & local participants to reduce climate pollution.
   - **Good jobs & labor protection:** Establishes tax credits to incentivize companies to support higher workforce standards, good-paying jobs, & M-I-A tech.
     - **Worker training support:** Apportions $200 million to states to train & educate workforce in installing energy efficient clean technology in homes.
   - **Superfund:** Reinstates “polluter pays” tax effective 2023 that doesn’t sunset; increases tax from 9.7 cents to 16.4 cents per barrel (projected to generate $11.7 billion for EPA).