Climate Insider

Spurred By Climate Law, Agencies Boost Push To Cut GHGs In Key Sectors

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The huge scope of the new climate law's investments for low-carbon technologies is sparking a wide range of additional efforts at EPA and other agencies to curb greenhouse gases from major economic sectors such as vehicles and electricity generation.

In general, the Inflation Reduction Act's (IRA) roughly $370 billion for clean energy tax credits and other federal support is expected to enable EPA to issue tougher GHG rules for various sectors while also boosting multiple ongoing climate efforts at the Energy Department (DOE) and elsewhere.

In addition, a top DOE official is noting that the law's top-line spending on climate is understated by nearly 50 percent, largely due to calculations of the cost of the department's loan programs for low-carbon projects:

> ### DOE Official Says Energy Loans May Roughly Double IRA's Climate Funds
> A top Department of Energy (DOE) official says the Inflation Reduction Act's (IRA) funds for the department's loan program for low-carbon projects could approximately double the statute's generally understood climate investments of $369 billion, underscoring the law's massive forthcoming federal support for clean energy.

The often-cited estimate of the law's climate spending "actually pretty dramatically understates the total scale of investment," argued Jeremiah Baumann, chief of staff at DOE's Office of the Undersecretary of Infrastructure, during a Sept. 20 event hosted by New York University's Institute for Policy Integrity.

Baumann said a large part of the discrepancy is "due to obscurities about the way the Congressional Budget Office [CBO] scores the cost of bills," in particular regarding DOE's Loan Programs Office. For that office, "they don't include in that total [for the legislation] the total amount of money we will lend," but instead "the amount of money they think we might lose from loans not getting paid back."

As such, CBO says the IRA will result in between $10-$15 billion of federal "subsidy for lending programs," but that "actually enables between $300 to $400 billion in lending."

Thus, one could consider the IRA's climate-related funds to be "literally almost double the advertised total spending."

DOE's loan office offers debt financing for large-scale energy projects, specifically those at early stages when private capital might view them as too risky. Director Jigar Shah earlier this year called his office a "bridge to bankability" for these projects, adding that the 2020 Energy Act expanded the office's ability to provide this higher-risk debt.

Over at EPA, top officials are preparing to implement the over $40 billion that the agency will receive from the IRA, which is about four times that of the agency's annual operating budget:

> ### OAR Gears Up As It Faces Massive Challenge To Spend IRA's Climate Funds
> EPA's air office faces a historic opportunity, and challenge, in quickly and effectively spending over $40 billion from the Inflation Reduction Act (IRA) to address climate change, requiring a staff reorganization, leadership expansion and urgent consultation with states, local governments, tribes and community groups that will receive the money.

"We are expanding our political leadership team, and certainly our senior leadership team," to cope with the task, said Joe Goffman, EPA's top air official, during a Sept. 14 meeting of the agency's Clean Air Act Advisory Committee. More broadly, staff will be recruited or moved from other posts to help process the funding, he said.

"We will definitely be growing, and be growing quickly," said Goffman, noting that Congress has appropriated some funding to allow for this. Goffman spoke of the agency's "overwhelming responsibility to ensure the financial integrity" of funding programs.

Goffman added that the agency aims to also harmonize IRA provisions with EPA's rules. "We are convinced that part of our job is to create synergies" between IRA programs and regulatory actions, and that EPA should "incorporate and assimilate" IRA tasks into its existing programs where possible, he said.

EPA Administrator Michael Regan is also citing the IRA's incentives for electric vehicles (EVs) specifically as a boost for the agency's rules to curb GHGs from vehicles:

White House Touts Climate Laws' EV Effects As Regan Cites Rule Boost

The White House is promoting an array of recent industry investments in electric vehicle (EV)-related manufacturing to tout the effect of the new climate law and last year's infrastructure statute, with EPA chief Michael Regan also citing the legislation as a boost to the agency's upcoming vehicle emissions standards.

During Sept. 14 remarks at the Detroit Auto Show, Regan cited the new climate law and last year's infrastructure statute as "game-changing laws" that will "tackle the climate crisis," clean the air and put people to work in "good-paying jobs across the country."

He also called the laws' "unprecedented funds" for cleaning up vehicles -- when combined with EPA's light-duty vehicle GHG standards issued last year -- a "strong launch point for the next phase of the standards that we have to do for the future. We are ready to partner, we are ready to continue, and we want to continue with the strong momentum that we have," he said.

At the same event, President Joe Biden promoted an array of recent industry investments in EV-related manufacturing, arguing his administration's policies are benefitting both the environment and the economy.

"The great American road trip is going to be fully electrified," Biden told the auto show.

Regarding power generation, researchers are arguing that the IRA's significant investments for clean energy should be paired with additional complementary policies to cut the cost of decarbonizing the power sector:

RFF Study Finds Grid Upgrades, Market Expansion Are Key IRA Complements

Researchers are outlining the economic and climate benefits of several strategies to help decarbonize the power sector, such as construction of a "macrogrid" and expansion of wholesale electricity markets, arguing the steps would be crucial complements to an infusion of clean energy tax credits from the just-enacted climate law.

The findings are included in a new report from Resources for the Future (RFF) assessing various "pathways" to help reduce power sector GHGs, which is seen as an important lynchpin to decarbonizing the broader economy.

While most of the report's modeling was conducted prior to the IRA's passage, researchers say the law's incentives will only amplify the benefits of their suggested strategies to help decarbonize the power sector.

These strategies -- particularly new transmission projects and an expansion of organized wholesale power markets that create greater competition among generators -- are actually "key enablers of both clean energy deployment overall" and forces that can help consumers spur faster and cheaper clean energy deployment on their own, said Bryn Baker, senior director of market and policy innovation at the Clean Electricity Buyers Association and a contributor to the report, during a Sept. 13 RFF event.

"With the Inflation Reduction Act, they become critical to facilitate an uptake of clean energy that enables really the full potential of what is a carrot-only deployment policy like the Inflation Reduction Act," she said at the event.

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