

# Proposed Inflation Reduction Act of 2022 Would Provide Significant Spending Targeted To Clean Energy and Technology Development

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US Senate Democrats Chuck Schumer and Joe Manchin reached a compromise on the fiscal year 2022 budget reconciliation that includes \$369 billion in new spending to spur clean energy and technology over the next decade. The bump in spending would be off-set by corporate tax changes and other revenue-raising measures.

The compromise was [announced](#) on July 27 as the “[Inflation Reduction Act of 2022](#).” Although the compromise is projected to reduce the deficit overall, the proposed legislation authorizes significant spending targeted to renewable energy, cutting edge technology, reducing greenhouse gas (GHG) impact from manufacturing, and promoting less carbon intensive buildings by expanding existing programs and creating new ones. Priorities include:

- **Energy Security:** Over \$60 billion in proposed spending in the bill is designed to increase domestic production of clean energy and transportation technologies. This includes tax credits for solar panel, wind turbine, battery (including critical mineral processing), and electric vehicle manufacturing. Additional grants and loans are proposed for electric vehicle manufacturing, \$2 billion in funding for energy research at National Labs, and \$500 million in Defense Production Act spending for heat pumps and critical minerals processing. An additional proposed \$30 billion in grants and loan programs would finance the transition of states and electric utilities to clean energy generation, and further tax credits would incentivize the development of clean energy generation and storage.
- **Greenhouse Gas Reduction:** In addition to the above programs, the bill proposes additional grants and tax credits for industrial manufacturing processes to reduce GHG emissions, including roughly \$6 billion targeting the largest emitters such as chemical, steel, and concrete plants. Existing tax incentives for carbon sequestration and other programs will be extended and expanded. Another \$9 billion is contemplated for federal procurement of American-made clean technology, including \$3 billion for electric US Postal Service vehicles,

in order to “create a stable market for clean technologies.” The bill also proposes an extensive Methane Emissions Reduction Program, as well as a \$27 billion clean energy technology fund to support the deployment of clean technology with a focus on disadvantaged and lower-income communities.

- **Electric Vehicles & Consumer Energy Costs:** The bill introduces several provisions targeting consumer energy costs, including \$9 billion in consumer rebates for electric home appliances and energy-efficient retrofits of residential properties, in addition to tax credits for heat pumps, rooftop solar, and electric HVAC and water heating systems. Other proposed initiatives include tax credits for lower and middle-income consumers who purchase electric vehicles (\$4,000 for used vehicle purchases, and \$7,500 for new vehicle purchases) and a \$1 billion grant program for energy-efficient affordable housing.
- **Environmental Justice:** The proposed legislation would allocate over \$60 billion to environmental justice programs, such as \$3 billion in Environmental Justice Block Grants for community-led projects to address the disproportionate environmental and public health harms of pollution and climate change, and grants to fund the reduction of air pollution from ports and heavy-duty vehicles like busses and garbage trucks. Further programs will focus on improving neighborhood access with bikes, sidewalks, and public transit.
- **Agriculture and Conservation:** Additional proposed spending includes \$20 billion to support “climate-smart” agricultural practices, \$5 billion for forest conservation and tree planting, and \$2.6 billion in grants to conserve and restore coastal habitats.