Inflation Reduction Act: The Good, The Bad, The Ugly

The Climate and Community Project

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After an excruciating year of negotiations and ceaseless pressure from the climate movement, Senators Joe Manchin and Chuck Schumer have come to a deal: the Inflation Reduction Act (IRA). If passed, the bill will be the biggest piece of 'climate legislation' ever passed in the United States, by a wide margin. But it is still a far cry from the scale of public investment needed to contend with the magnitude of the crisis we face, and from what's needed for a truly just and equitable transition to a world beyond fossil fuels.

The Green New Deal sparked people's imagination and a broad, people-powered movement because it created pathways to decarbonize our economy while delivering material benefits to communities — particularly those on the frontlines of the climate crisis. The Inflation Reduction Act's investments will spur renewable energy and clean technologies, help decarbonize some sectors of the U.S. economy, and create thousands of good jobs in growing industries. However, the investments will largely not directly benefit working class people and other communities who need it most. Furthermore, the IRA, and a corresponding side deal on permitting, include massive handouts to the oil and gas industry, expanding fossil fuel production in places that are already treated as sacrifice zones — places where real people live, breathe, and work — and perpetuating the extraction, processing, and pollution of energy sources that harm people and drive climate change.

While the bill proposes some critical investments in technologies and infrastructure that will help reduce domestic greenhouse gas emissions, it has little to say about how our communities will adapt to the climate crisis, even as floods, fire, extreme heat, and drought are ravaging huge parts of the country. Nor does it directly contend the global nature of climate change, which is uncontained by national borders and already disproportionately burdens lower-income and Global South countries.

The Climate and Community Project has spent the last two years adding detail to the demands of the Green New Deal including reports on a Green New Deal for Schools, Housing, and Transportation. Now our experts are working to answer the questions: How does the Inflation Reduction Act move us toward a Green New Deal? Where does it fall short? Where does it cause outright harm? We'll walk through some of the key components of the bill and outline key areas of continued struggle.

Here are our overall takeaways, along with links to sections on specific issues.

GOOD: The Inflation Reduction Act will make important public investments in renewable energy, decarbonized transportation, domestic manufacturing, and public lands management. The bill also contains some key labor provisions and funding for environmental justice priorities.

BAD: Key provisions from Build Back Better have been dropped, many of which were insufficient to start with. The IRA offers virtually nothing for non-car transportation or securing safe, comfortable, and affordable housing — especially for low- and middle-income tenants and homeowners — and environmental justice funding falls far below the Biden Administration's Justice40 commitments.

UGLY: The IRA does not end the era of fossil fuels — it continues it, and bolsters it in some key ways. The bill mandates vast swathes of federal lands and waters be sacrificed for the ongoing development of fossil fuels and expands subsidies for dangerous distractions, including hydrogen and carbon capture and sequestration (CCS / CCUS). Recent news of a corresponding side deal with Senator Manchin would also weaken the environmental review process for new energy projects and mandate the completion of the Mountain Valley Pipeline.

The IRA is not an endpoint — regardless of what happens, the fight for a Green New Deal is far from over. We must organize to deliver on the good from this bill, while pushing hard against the bad and ugly. We must build a multiracial, cross-movement organizing strategy to push Congress, the Administration, states, and local governments to meet the scale of the crisis. This fight will not take place solely in policy debates or on social media, but out in the streets and at fossil fuel infrastructure blockades. We must build the power to win a true Green New Deal.

Topic links:

Energy – Housing – Transportation – Environmental Justice – Forestry – Mining and Manufacturing – Labor – Investment Tools

Energy

GOOD: The bill extends crucial clean energy tax credits (the Investment Tax Credit and Production Tax Credit) for the next 10 years. These tax credits have been the major policy driver for renewable energy growth, but have been in constant peril of phase-out, with just-in-time extensions that have put the clean energy industry in a constant state of financial uncertainty. The 10-year 30% cost extension in the IRA would bolster confidence for the industry to continue developing and deploying solar and wind. The bill also extends the tax credit to microgrids, batteries, and U.S. manufacturers of the industry's component parts like solar photovoltaics, wind turbines, and electric vehicles. Supply chain shortages and increased component costs have wreaked havoc on the production of renewable energy technologies; building a domestic manufacturing industry that could be a game-changer for fast deployment while also offering an opportunity to reignite Rust Belt communities to date left behind in the energy transition. The provision also provides increased tax credits to projects that use U.S.-manufactured parts or site projects in environmental justice communities.

Importantly, the bill offers a direct pay option for the tax credit. This could be a huge aid in stopping the financialization of the clean energy transition. Since their initial passage, the Investment and Production Tax Credits have mutated into a major tax shelter for private banks and Wall Street. That's a problem not only for private developers, but particularly for public and nonprofit actors. To realize the value of the incentives and make project costs pencil out, most developers must go to massive banks like JP Morgan or Bank of America and try to "sell" their tax break in return for funds, via complex and costly deals known as tax equity partnerships. The IRA's direct pay option could unleash huge capacity in renewable energy deployment for governments, energy cooperatives, community groups, local business, and nonprofits.

The bill also provides about $10 billion to rural electric cooperatives and rural energy programs — these cooperatives are some of the most coal-dependent and are located in regions with some of the highest energy burdens in the country. This dedicated funding would provide an important injection of public dollars into cooperatives, helping them invest in the transition into renewable energy. It also provides funds for energy efficiency programs and grants for debt relief for customers. While this will be a helpful advance for rural communities, it is still far from what is needed. To address this issue at scale, the Rural Power Coalition called for $100 billion — $91 billion more than the IRA would provide — to forgive cooperatives' loans, allow them to retire carbon-intensive coal plants, and jumpstart the energy transition.

BAD: The bill doesn't plan a phase-out of fossil fuels — the biggest contributor to the climate crisis. In fact, one could argue that a primary feature of this bill's approach to energy policy is to ensure a stable baseline of fossil fuel power well into the middle of the 21st century by allowing for continued gas buildout. The IRA also includes investments in often-dirty hydrogen production and in Carbon Dioxide Removal (CDR) technologies that are outsized relative to its investments in renewables, and the subsidies become technologically neutral after five years. Most damning is that the subsidies would not bar the use of enhanced oil recovery (EOR) — the process of capturing carbon and other gases in order to reinject it to extract more oil. Carbon dioxide removal and hydrogen buildout have both been technologies used by the fossil fuel industry to extend its lifetime and keep drilling, fracking, and exploiting communities. The Carbon Capture Coalition, the industry's trade group, lauded the bill, saying, "The bill includes all of the Carbon Capture Coalition's top legislative priorities for the 117th Congress."

Furthermore, while the IRA includes carve-outs for environmental justice communities to support renewable energy development, they are far from adequate. There is little discussion of distributed renewable energy other than expanding tax incentives for microgrids and extending housing efficiency and rooftop solar measures. Absent robust policy support, households that can afford the upfront investment and own property will be the primary beneficiaries of distributed solar and energy storage. Homeownership and loan access have a long history of racial bias, and both tend to be preconditions for going solar. This means that solar distribution reflects pre-existing patterns of racial injustice, even when controlled for income. Communities hit hardest by new climate-induced extreme weather would benefit from coordinated and distributed renewable energy — in addition to coordinated home repairs and efficiency programs.

UGLY: One of the most damaging sections in the IRA is Manchin's quid pro quo of offshore oil and gas for offshore wind. The bill mandates offshore oil and gas leases in Alaska and Gulf of Mexico over the next ten years, and prohibits offshore wind lease sales unless there has been one oil and gas lease sale of at least 60 million acres the year prior — an area roughly the size of the state of Michigan. It reinstates an 80 million-acre lease sale in the Gulf of Mexico — largest in U.S. history — that was deemed illegal by a federal court for failing to account for climate impacts.

The Democrats also made a deal outside of the IRA that could severely limit climate activists' ability to fight against fossil fuel infrastructure, like pipelines, by proposing significant reforms to the National Environmental Policy Act (NEPA). A leaked document shows that the reforms would fast-track projects, likely leading to oil and gas companies pushing projects through permitting process much more quickly. Some renewable energy advocates have also proposed revisions to NEPA to get projects on the ground, but this revision would disproportionately support the fossil fuel companies to roll over frontline communities. The side deal also requires the completion of the contentious fracked gas Mountain Valley Pipeline, which would run hundreds of miles through West Virginia and Virginia.

The bill boasts that it will put the U.S. on track to carbon emissions by 40%, but it achieves this goal in part by simply displacing emissions. Specifically, the package is built upon a scaffolding of demand-side efforts intended to reduce carbon emissions in the U.S. and supply-side interventions intended to maintain or grow America's oil export power. The International Energy Agency (IEA) recently announced that, in order to stay below 1.5 degrees warming, no new fossil fuel projects can be exploited. Even though the bill invests billions of dollars in clean energy, it does not inherently displace the United States fossil fuel expansion project and instead continues the era of the fossil fuel industry.

What we need:

1. **Take equity stakes in renewable energy project development and actively leverage the federal government's power to build out publicly owned renewable energy.** The public must have a stake in building out the next energy system. Taking equity stakes allows for more accountability to high labor, environmental, and community benefit standards in projects. Plus, the federal government has already helped to finance the project through tax credits — taking equity stakes allows the public to see the benefit through to its completion. The federal government could also build more renewable energy projects itself and build a strong public workforce along the way. Where the federal government fails to take up this opportunity, states and localities should require equity or outright ownership over projects developed within their jurisdictions.

2. **Increase renewable energy investments in environmental justice communities.** The bill makes some strides to prioritize environmental justice communities in renewable energy development, but does not go far enough. The bill should provide carve-outs for distributed renewable energy to increase resilience to climate-induced extreme weather, and ensure the program is accessible to, owned by, and constructed by communities most affected by the climate crisis.

3. **Avoid locking in the fossil fuel industry's power for decades to come.** Demand-side investment will fail if the U.S. doesn't wind down the fossil fuel industry, and that failure will harm frontline communities first and foremost. The bill should eliminate technology-neutral framing, which will drive the bulk of investment into advanced nuclear, CDR technology, gas, and other measures. The bill should decouple offshore wind deployment from the destruction of the Gulf of Mexico and Alaskan waters. Progressives in Congress should also do everything in their power to stop the side deal green-lighting the Mountain Valley Pipeline and NEPA reforms. Where the bill fails to move, President Biden should use the full force of his executive office to stop fossil fuels and stop the exports abroad to stop the carbon leakage.

Housing

GOOD: The bill expands tax incentives for households on electrification and energy efficiency, providing them with up to $7,500 in tax incentives. The bill allocates $9 billion for these measures, and a further $1 billion for affordable housing specifically (but excluding public housing). Some multifamily building owners may take advantage of these benefits. But they will mostly benefit homeowners. Efforts to electrify housing are crucial, especially as the oil and gas industry fights to keep buildings hooked up to gas infrastructure. Electrification and efficiency upgrades will also help to lower energy bills for homeowners in a moment when rising inflation and the cost of natural gas are at a high. Some of these provisions are only targeted to low- and moderate-income homeowners. However, given the inevitable complexity of this kind of rebate policy, we should expect the vast majority of benefits to be captured by moderate-income homeowners.

While these small sums are poorly targeted to benefit low-income homeowners, effective state policy could redirect the funds in an equitable fashion. Policies like Pennsylvania's new Whole Home Repairs Program are creating statewide systems to repair low-income homes and "mom and pop" rental apartments, by using state funding and public logistical support to ensure that the households in greatest need gain priority access to federal home retrofit funds. Coordinated state action could make the best of this federal policy.

BAD: The total funding is very small. There are over 150 million households in the United States and over 5 million federally assisted affordable housing units. The funding provides less than $200 per affordable housing unit; and overall, under $70 per U.S. household. That's an utterly insignificant amount, given that housing is responsible for one sixth of U.S. greenhouse gas emissions.

There is no dedicated money for building retrofits and electrification for public buildings like schools, libraries, and public offices. People work, live, and play in publicly owned and maintained buildings. The bill fails to provide a transformative conception of public space that ignited campaigns like the Green New Deal for Public Schools. Public institutions will likely need to seek funding for retrofits from the Environmental Justice Block Grants, yet-to-be-defined program areas from the Greenhouse Gas Reduction Fund.

UGLY: This bill does virtually nothing for tenants, the most vulnerable U.S. residents, who are also disproportionately poor, working class, and BIPOC. Tenants are confronting a massive rent inflation crisis, utility debt crisis, and a safe temperature crisis, all at once. Furthermore, tenants are also extremely vulnerable to climate disasters; virtually all disaster assistance programs target home- and building-owners. The bill's incentives are largely targeted at homeowners, who through a history of racialized housing policy for decades, are largely white and middle-to-upper class. Low-income tenants and homeowners pay a higher share of their income for energy than anyone else, suffer high levels of energy insecurity, and lack the resources to decarbonize and repair their own homes — even with tax rebates. This squanders an opportunity to attack racial and economic inequalities, carbon pollution, and the cost-of-living crisis all at once, in people's homes where they can materially see the benefits of climate policy.

Simply put, it is impossible to deliver environmental justice without delivering green investment to tenants that improves their health and lowers their costs. The original Build Back Better proposal would have injected over $150 billion in housing investments, including green upgrades and the construction of new, green affordable housing. It would have made major strides in deeply disinvested housing stock and support low-income families and should be reincorporated into the bill. In contrast, the IRA contributes virtually nothing. Only the $1 billion targeted to affordable housing (less than 0.04% of the bill's spending) is guaranteed to provide any benefit at all to tenants. This could also entrench a growing class divide in political support, with the multiracial working class drifting to the right, imperiling Democrats' already thin governing majorities.

What we need:

1. **Treat investments in low-income housing as a key lever for transforming the economy, and delivering environmental justice.** The $9 billion in funding for energy efficiency and electrification should be more robustly targeted to very- and extremely-low-income housing. And half of it should be targeted specifically to multifamily buildings, with requirements for 5-year rent freezes for landlords who take advantage of the funding. More broadly, tenants and low-income homeowners need the federal government to vastly increase funding for home repairs and clean electrification. Direct infusions of funding should go toward retrofitting existing housing—specifically accessible to renters. Where states have power to leverage the funds flowing from the bill, they should redirect it into affordable housing and tenant programs.

2. **Invest directly in new, affordable, green housing.** The United States faces a shortage of homes. The original Build Back Better act contained tens of billions of funding for new affordable housing construction. At the very least, the Biden administration and its political allies should reform the Low-Income Housing Tax Credit, currently the main source of federal funding in new affordable housing, with the same zeal and creativity as they have developed tax credits for clean energy development. All affordable housing tax credits could be made "direct pay" — i.e., equivalent to grants, sparing affordable housing developers needless red tape and the financial inefficiency of partnering with major banks and corporations to take advantage of the tax relief. As with the energy tax credits, public entities (e.g. public housing agencies) should also be eligible for these direct pay tax credits. Moreover, those direct pay credits could also require high road labor practices (in practice, union construction wherever feasible), favor construction in disadvantaged communities, and require the highest environmental standards in construction. This bare minimum policy adjustment could be a first step toward a far more substantial federal role in attacking the crises of homelessness, energy poverty, housing insecurity, and carbon pollution all at once.

3. **Impose federal rent control, stop utility shutoffs, and cancel utility debt.** Millions of people in the U.S. are suffering from utility debt and live in fear of having their utilities turned off, especially as costs rise. The bill should stop utility shut offs permanently as an inhumane practice, especially in rising weather extremes, and cancel existing utility debt so that families can readily pay their utility bills without the burden of arrearages. In 1941, President Franklin Delano Roosevelt established the Office of Price Administration and Civilian Supply, which established price controls and limited rent increases. President Biden could likewise limit rent increases during this emergency period without additional congressional action.

Transportation

GOOD: The legislation would provide up to $7,500 for the purchase of new electric (or hybrid) cars and $4,000 for the purchase of used electric cars, at the point of sale rather than through convoluted rebate programs. It would also offer $12 billion in new incentives, plus $20 billion in loans, for the creation and conversion of manufacturing facilities to produce zero-emissions cars. Together, these investments are essential in helping the U.S. make up its current gap in zero-emissions vehicle sales compared to Europe. European Union member countries, China, and the United Kingdom have long provided more significant consumer-facing support to transition their vehicle fleets to low and zero emissions, and that approach has worked thus far.

The legislation would also provide $3 billion to support the USPS's transition to an electric fleet, a key turnaround from the agency's previous claim that only 10% of its vehicles would be electrified. It offers $3 billion for community transportation improvements that promote walkability and bikeability, including more than $1 billion specifically for historically underinvested communities. Finally, it would provide $1 billion for zero-emissions heavy-duty vehicles, including trucks and school buses. Each of these investments would help create a greener transportation system.

BAD: The legislation provides no support for public transit in terms of operating support or capital funding for electrification of transit fleets. Nor does it provide direct funding to the people who walk or bike, such as in the form of tax credits at the point of sale for e-bikes or targeted commuting benefits for people who do not drive. Reliance on automobiles requires considerably higher levels of resource consumption (in terms of electricity or fuel and road space, as well as battery minerals), and produces more environmental pollutants (in terms of tailpipe emissions from gas-powered cars and tire and brake wear, forming particulate pollution), than walking, biking, or taking transit. SUVs remain the deadliest form of transportation in the U.S. and this bill does nothing to deal with the high social, environmental, and economic cost of their mass production and use.

UGLY: The legislation makes no link between transportation and land use. It reinforces the automobile-dependency of too much of the country, by providing funding only for users of one mode of transportation, the car. It does not acknowledge or make efforts to handle the negative ecological impacts of mineral mining necessary to power electric vehicles. And it does not address the ecological damage associated with continued urban sprawl.

The legislation does nothing to fill the large operations funding gap that transit agencies are facing the coming years. These agencies, which provide essential services nationwide, are generally not able to use the capital funds from the Infrastructure Investment and Jobs Act to fill the gap in operating funds.

In addition, the IRA would provide specific incentives for the purchase of resource-intensive SUVs and trucks, by allowing people buying such trucks costing up to $80,000 to take advantage of tax credits — compared to only $55,000 for sedans and other smaller cars. Sedans are much less likely to injure people in crashes than larger trucks.

What we need:

1. **Limit car dependence.** Providing tax credits to consumers who can afford $80,000 trucks while cutting out consumers of e-bikes and transit users benefits a wealthier population. The bill should offer tax credits equivalent to those for electric vehicle purchasers for bikers and transit users, such as in the form of an e-bike purchase credit and subsidized transit fare cards.
2. **Invest in public transit.** The bill should provide several years of federal operating support to ensure that transit agencies are able to maintain service nationwide. Where states have the ability, they should attempt to direct funds toward public transit in an effort to plug the hole the federal government made. Funds should be allocated to states, local governments, and special authorities for the full electrification of publicly owned buses, school buses, cars, trucks, vans, postal vehicles, railroads, sanitation vehicles, and other fleets based on population size and existing service provided.

3. **Consider transportation's link with land use.** There should be a real commitment from the federal government to account for the interdependencies between transportation and land use policy, such as by using DOT regulations to require metropolitan planning organizations to show how they are incorporating land-use planning into their transportation plans to reduce greenhouse gas emissions. States could also take similar steps.

Environmental Justice

GOOD: The press release by Senate Democrats puts funding for environmental justice communities at $60 billion. One estimate shows this to be a relatively rosy picture, with just about $45 billion carved out. There are some specific grant programs including $3 billion in block grants for disadvantaged communities, $3 billion for safe and affordable transportation including reconnecting communities, and $3 billion to reduce air pollution at ports. In addition, the Greenhouse Gas Reduction Fund, described in more depth below, has set aside funding and financing for projects that support environmental justice communities.

BAD: While a good start, investment in disadvantaged communities that have borne the burden of the extraction economy should be increased by at least a magnitude of ten. The small pots of money require already-strapped environmental justice communities to go after what can be expected to be highly competitive grants. Five of the biggest oil and gas companies, including Shell, Exxon and Chevron raked in somewhere around $60 billion in profits in Quarter 2 of 2022; assuming all money is actually distributed and delivered, environmental justice communities will get equivalent funding over *ten years*. These are the communities that the oil and gas industry has marginalized, steamrolled, and sacrificed in the name of profit. The full IRA is estimated at $370 billion, making even the Democrat's analysis show that they're explicitly investing only about 16% in environmental justice communities — a far cry from President Biden's Justice40 commitments.

There are also only small pots of money for Tribal investment, including half a billion dollars for climate resilience and a few million dollars provided through a Tribal energy loan guarantee. The U.S. is a settler-colonial nation that has marginalized Indigenous people for centuries, and fossil fuel expansion has often been met with Indigenous resistance. Who is considered a federally-recognized tribe is also a highly political and contentious decision that has further stripped sovereignty from Tribes.

UGLY: The lease sale of the Gulf of Mexico maintains the Gulf South's status as the United States' preeminent sacrifice zone. The Gulf is one of the most diverse regions in the nation, meaning that the continued extraction continues to marginalize Black, Indigenous, and communities of color. Locking in fossil fuels ensures continued burden on environmental justice communities and negates many of the advances provided in the bill.

What we need:

1. **Follow through on Justice40.** The funding specifically targeted at environmental justice communities is seriously lacking in the bill. President Biden made a commitment to Justice40 that means that 40% of investment's benefits would go to disadvantaged communities. The bill would have to up its investment from $60 to $148 billion– sent directly to community groups to be in alignment with Justice40. The deployment of this bill has opportunities to further redirect the federal dollars and bend them toward justice– including leveraging the Greenhouse Gas Reduction Program, designing complementary workforce development to feed into the jobs developed, and rulemaking in different federal and state departments to double down with newly-acquired funds to support environmental justice communities.
2. **Invest in infrastructure critical working people's everyday lives.** We find the bill lacking on delivering on environmental justice by omitting some of the most critical investments in working people's lives. The bill should invest in affordable and efficient housing, public transportation, public schools, accessible and resilient renewable energy– to name a few.
3. **Avoid sacrificing fossil fuel communities.** The bill is a raw deal for communities burdened with the social, environmental, and health costs of fossil fuel

infrastructure, particularly in Alaska and the Gulf. The bill should not sacrifice them, and instead should be investing in a transition. President Biden should use his power to stop fossil fuel expansion, and cities and states should use their own regulations to inhibit development.

Forestry

GOOD: While industrial sectors like transportation and energy are top-line concerns for combatting the climate crisis, land management often flies under the radar. But in 2020, forestry, agriculture, and land use contributed 24% of total U.S. emissions. Forest management is particularly critical, as forest fires pose an immediate risk to life and property, create public health hazards, and degrade landscape capacity to regulate the water supply at a time when extreme drought is punishing much of the U.S. West. IRA includes $5 billion in funding for forests and is part of a suite of recently passed or pending federal bills to improve forest management on public and privately-owned forests.

IRA will send a total of $700 million to public land management agencies to improve staff capacity and fill gaps in understaffed agencies, including the National Parks Service, the U.S. Forest Service, and the Bureau of Land Management. Staff at all of these agencies are stretched thin, and the investment will streamline environmental permitting and expand staff capacity to plan and execute forest management progress with community, non-profit, Tribal, state, and industry partners. In terms of direct forest management funding, the bill will invest $1.8 billion in fuel reduction treatments at the Wildland-Urban Interface, reducing fire risk for communities living in the shadow of overgrown, dangerous forests.

BAD: While federal funding for fuel reduction treatment on public lands away from the wildland-urban interface has been rapidly increasing, especially on Forest Service land, the IRA could have gone much further on this front. The bill offers only $200 million for restoration treatments in 'source watersheds' or forests that perform important hydrological functions for downstream water supplies in some of the most parched cities in the country.

UGLY: The bill includes $150 million for "underserved forest owners" to "participate in emerging private markets for climate mitigation"; this is another way of saying the government is going to subsidize forest-based voluntary carbon offsets for small landowners. Forest-based carbon offsets offer big polluters a fig leaf to claim their operations are 'carbon neutral,' while recent analysis has shown that offsets routinely fail to deliver on their climate promises. This is money thrown away at a false solution, and it should be redirected to these same underserved forest owners as direct funding to undertake important forest management projects.

Despite some investments in Tribal adaptation, there is little to nothing in the IRA that will directly promote Indigenous forest management, or encourage the use of Traditional Ecological Knowledge in forest management practices led by Tribes themselves. Tribes must have opportunities not just to collaborate, but to lead on forest restoration. While these are complicated issues that must be dealt with through detailed legislation and regulatory reform, the absence of language around the role of Indigenous people in forest management is glaring.

To Be Determined: One forestry-related provision in the IRA that could go either way is the investment in wood processing infrastructure. IRA includes $100 million for wood innovation, designed as a maximum 50% investment match up to a maximum of $5 million per project. This money could go to new facilities for advanced wood products or biomass energy using small-diameter wood removed during forest restoration treatments. It is critical to remove this material from overstocked forests, but thus far there is no economic incentive to do so. Creating rural industries that can use this material in ways that do not harm the environment or public health is important. Done poorly, it can incentivize damaging logging and have horrible local air quality impacts; done well, it could revitalize rural communities while offering local control of electricity.

What we need:

1. **Boost funding for source watershed forest restoration.** At the least, there should be parity between fire suppression and restoration funding, and they should be indexed to one-another such that rising suppression costs trigger additional restoration funding

2. **Invest in land management capacity.** Further investment in land management agency staff is necessary to both administer forest restoration contracts and bring more work in-house

3. **Prioritize Tribal leadership and labor in forest restoration projects on public land.** The administration should direct public land management agencies to engage in Government-to-Government negotiation for forest restoration work, as well as recognize Tribes currently not granted official recognition by the Federal government in order to unlock support and funding for Indigenous communities in general, and so they can participate in public forest management more effectively on their ancestral lands.

Mining and Manufacturing

GOOD: The bill provides support for domestic solar and battery manufacturing, advanced manufacturing production credits, and Investment Tax Credit and Production Tax Credit for domestic content. While still small, the bill also provides $500 million in funds to be used in the Defense Production Act, largely focused on manufacturing capacity. IEA projects that by 2025, 95% of photovoltaic components will be made in China. More geographic diversity in manufacturing and supply chains could resolve challenging bottlenecks that have led to price increases in recent years for batteries and solar panels, as well as generate new green jobs. Regionalizing supply chains also has the potential to reduce the emissions associated with the transnational trade, transport, and logistics nodes of globalized supply chains.

BAD: The battery requirements may prove challenging to meet in time to realize Biden's decarbonization goals–especially keeping in mind that transportation is the number one source of U.S. emissions. For an EV to qualify for the consumer rebate, by 2024 40% of the "critical minerals" contained in its battery (with the percentage going up to 80% in 2026) must be "extracted or processed" in a country with which the U.S. has a free trade agreement *or* be recycled within North America. While it makes sense that an industrial policy sets goals slightly out of reach based on existing productive capacity in order to stimulate sectoral investments, experts worry that given the current organization of global battery supply chains, such a high threshold may slow down EV adoption.

UGLY: Although increasing domestic manufacturing of component parts of the energy transition can be a positive lever, it is also important to consider how much production and mining the U.S. is incentivizing and whether that production expansion creates social or ecological harm. As discussed above with regards to the bill's transportation policy, the sections on battery-related mining and manufacturing reinforce car-dependency rather than thinking more creatively about how to prioritize building out mass transit or micro mobility by, for example, tying tax incentives, credits, or rebates to the production of e-buses and e-bikes rather than EVs. Just as importantly, while requiring battery minerals be mined and/or processed in the US or allied countries, it does not address the governance deficits in those jurisdictions, potentially reinforcing environmental and social harm. As we explained in our recent memo on "supply chain justice," mining in the U.S. is currently regulated by the egregiously out of date 1872 Mining Law. Similarly, as has been the case with Department of Energy supply chain loans, the battery minerals in question may be supplied by mines with severe human rights risks — so long as they are *processed* in the U.S. or country with which we have a free trade agreement.

What we need:

1. **Regulate Extractive Industries.** In addition to place of origin requirements, we need substantive environmental, social, and financial regulation of extractive industries long plagued by abuses as we enter into a new frontier of extraction and manufacturing. Domestically, the federal government must revise the 1872 mining law to include Free, Prior, and Informed Consent of Indigenous peoples and include environmental safeguards against water overconsumption and contamination, fund remediation of abandoned mines and reduce mining waste, and increase royalties for extraction on public land. The Administration has taken some steps to underline the inadequacy and take action for governance reforms — actions upon which they should follow through. These same levels of accountability should also be applied to imports related to extraction and manufacturing.

2. **Consider mining intensity.** The bill should better limit the need for critical mineral extraction in their policy decisions by investing in infrastructure like public transportation that would limit the need for high extraction rates and manufacturing of batteries.

3. **Increase the buildout of recycling and reuse.** The U.S. should rapidly build out recycling infrastructure and capacity for the component parts it plans to manufacture– including batteries, PV cells, and wind turbine parts. This would not only produce additional manufacturing jobs but also limit the amount of required mining and its associated environmental and social impacts. The Bipartisan Infrastructure Law provided some support for recycling, but the U.S. needs much more robust recycling capacity.

Labor

GOOD: The IRA includes higher tax credits when projects meet prevailing wage and apprenticeship requirements, helping to ensure that jobs created in green industries are quality jobs that provide living wages and pathways to economic security. It also increases domestic manufacturing that has the potential to boost many industrial towns and cities whose industries have shuttered and moved abroad in attempts to limit worker power and extract higher profits.

The bill also permanently extends the Black Lung Disability Trust Fund for coal miners, providing much needed program stability. The Fund provides monthly payments and pays for medical treatments for miners totally disabled by Black Lung. It also helps to support surviving dependents of coal miners who died from Black Lung. Coal companies are required to provide disability benefits to injured workers for ailments like Black Lung, but many have shirked the responsibility to their workers through mechanisms like bankruptcy. Brookings estimates that between 2014 and 2016, coal operator bankruptcies "transferred about $865 million in benefit liabilities to the federal Black Lung Disability Trust Fund." The Fund has been a crucial backstop from what has largely been an unjust transition from coal but was in constant peril of being unfunded. The IRA extends the Trust Fund permanently to support workers who have been abandoned by the coal industry.

BAD: 40 years after the Reagan Revolution, the neoliberal position that the state is inefficient and corrupt while the private sector is dynamic and offers the best value for taxpayers remains pervasive. The result has been a public sector (with few exceptions, like the military) that has been cut to the bone and lacks capacity to administer many of the programs we will need to avert climate catastrophe in just ways. IRA makes sporadic, piecemeal investments in some key areas where capacity is particularly weak, but it is not a comprehensive investment in building a strong public sector. For the private sector, the bill designs important prevailing wage provisions, but still fails to require other effective labor provisions, such as project-labor agreements.

UGLY: By mandating huge annual leases of public land for fossil fuel extraction, among other fossil fuel giveaways, the IRA will help perpetuate a dying industry that is dangerous, insecure, and creates long-term health risks to workers. Congress must take a more direct approach to creating a just transition for fossil fuel workers to move into cognate industrial work, like offshore wind installation, facilitate job retraining for those who want it, or a secure early retirement for those who do not.

What we need:

1. **Invest in Public Workers.** Instead of giving subsidies to corporations, the U.S. should directly hire workers. The Administration should authorize a large scale study to determine the full cost of contracting and outsourcing to identify jobs that can and should be brought back to the public sector while relieving critical capacity shortfalls at virtually every agency. States should consider their power to leverage the funds in the IRA to build a robust public workforce in their own jurisdictions.

2. **Strengthen Labor Protections.** The bill should incorporate more labor protections, using the Protecting the Right to Organize Act (PRO Act) that was passed in the House as a touchstone. The PRO Act would allow workers to more effectively unionize in Right-to-Work states, limit employer manipulation in union elections, and establish monetary penalties on companies for violating worker rights– among other commitments.

3. **Support a just transition.** The bill should not perpetuate the fossil fuel industry, but instead secure a just transition for workers and communities dependent upon fossil fuels. This should include programs for wage replacement, benefits continuation, tax revenue replacement, robust training and retraining opportunities, and place-based job creation so jobs are created where jobs are being lost. Biden should use his Executive Authority to stop new fossil fuel infrastructure and instead jumpstart a green economy driven by stable, well-paid, and life-sustaining jobs.

Green Investment Tools

GOOD: The investments in manufacturing, new technologies, and emerging industries makes it very clear that this is a big play by the Federal government to do green industrial policy in a way that the U.S. has not done before. This could be game-changing for the manufacturing sector in the U.S. that has been hollowed out by neoliberalism, corporate consolidation, and offshoring. The IRA also creates a Greenhouse Gas Reduction Fund via the EPA that is funded at $27 billion over the next ten years, with carve outs of $7 billion for local or Tribal governments for their green banks and $8 billion for environmental justice communities. Existing state green banks currently have an estimated $21 billion of project backlogs because of underfunding, and this new Fund would help alleviate that backlog. This could be a powerful flow of money to be directed toward environmental justice communities.

The Department of Energy Loan Programs Office will also receive $3.6 billion and $40 billion in loan guarantees. This piece of industrial policy could help usher innovative clean energy projects across the U.S., helping to fill the gaps where the private sector fears to go, and increasing financial stability of emerging industries. Earlier in 2021, the Office provided loan guarantees for wind manufacturing infrastructure like blade and dockside staging.

The IRA includes a huge injection of new money into the Commodity Credit Corporation — a New Deal-era program of the Department of Agriculture that offers a suite of financial options to channel money to farmers and other landowners for agricultural products price supports, export assistance, disaster relief, and, increasingly, conservation programs. The bill would add around $16 billion to the Commodity Credit Corporation's conservation funding; much of this funding is to be disbursed through direct grants to landowners to avoid or sequester GHG emissions, but the specifics are largely undefined. Further, some of the provisions are more promising (and equitable) than others. Support for conservation projects that improve soil carbon and reduce nitrogen loss are to be welcomed, but doing so by prioritizing projects that "leverage corporate supply chain sustainability commitments" rather than simply mandating them is troubling.

BAD: While the amount of funding, finance, and tax incentives deployed by this bill will be considered the largest climate investment in U.S. history, it still pales in comparison to the level of investment needed for a green transformation in the next ten years to stay within 1.5 degrees Celsius. U.S. decarbonization of the power grid alone is estimated at $4.5 trillion and is only a portion of the solution.

Furthermore, the U.S. government too often socializes the risk, but allows benefits to accrue with private corporations. Acquiring equity stakes in companies or investing in outright public ownership over industries are core levers of industrial policy in other countries and help the public accrue the benefit of investment. This IRA generally stops short of incentivizing public or community ownership over emerging industries and technologies.

UGLY: Much of the investment from the IRA comes from a tax hike on corporations– a good thing. But it still does not follow a 'polluter-pays' principle that insists the companies who created the damage pay to clean it up. Instead, the bill includes subsidies for the fossil fuel industry through incentives for technologies like CCS that it has used as a dangerous distraction from the energy transition.

To Be Determined: A product of the Reconciliation process that limits detail, the Greenhouse Gas Reduction Fund has very few stipulations on governance or scope. This makes implementation critical to the fund being leveraged as a source for good capital to support environmental justice communities and local government, not be coopted by corporations and hedge funds.

What we Need:

1. **Implement strong governance on the Greenhouse Gas Reduction Fund.** The Greenhouse Gas Reduction Fund must have rigorous governance, and could even increase stipulations regarding environmental and social benefit of its lending. There are a range of models to draw from including Saule Omarova's National Investment Authority and many Green Infrastructure Banks.

2. **Prioritize public control of the future.** The bill should offer more onramps for public or community ownership over the industries it is investing in. The Funds, grants, and loans could precondition support upon partial or full ownership, or prioritize worker-owned or community-based applicants over larger corporate entities.

3. **Invest more money and make polluters pay.** This bill can only be the beginning of investments at the climate and inequality nexus. States, the Administration, and Congress must continue to push with full force to increase investment and stave off the worst of the climate crisis. Instead of allowing for quid pro quos and subsidies to the fossil fuel industry, the industry must pay for decades of harm and be wound down in a way that supports communities and workers.

CONCLUSION

The earth is on fire. People are recovering from the pain and loss of an ongoing pandemic. Organizers have been fighting against the onslaught of injustices while pushing for something better. Without the Inflation Reduction Act, the United States will almost certainly cause much higher carbon emissions. The Act will inject much-needed investment into the green transition and create thousands of jobs. It will also perpetuate a history of injustice in its current form — with too little focus on tenants, Indigenous peoples, other communities of color, environmental justice communities, and the working class. And it even outright compromises with the fossil fuel industry and locks in sacrifice zones where people work and live.

But much is yet to be decided. There is still time to mold the funding that comes down to the state level to ensure maximum benefit for the multiracial working class, which is experiencing the brunt of the climate crisis. The Biden Administration can still wield significant power by declaring a climate emergency and reining in the fossil fuel industry with executive actions. We must continue to organize and fight for the Green New Deal communities in the United States and across the world deserve. This means pushing the federal government — both Congress and the Administration — to use the IRA as a starting point, not a final draft.

The Climate and Community Project has already pivoted toward state-level work in green industrial policy and other climate policy areas. In the years ahead, we will focus much of our energy on policy research to support emerging coalitions that battle to ensure the most effective, equitable green investments in workers and communities. We will work tirelessly to take the best possible advantage of the Act's new funding opportunities. And we will support those groups fighting to mitigate the Act's harmful impacts. In the long run, we must learn the right lessons from this conjuncture and use them to press for more effective, equitable, and holistic climate policy from all levels of government in the United States.

The fight from here does not get easier; it gets harder. Temperatures will rise further during summer months, hurricanes will hit harder and displace whole communities, droughts will parch cities and crops alike. The Left cannot be defanged by the IRA, but see it as the opportunity to grow momentum, build across movements, and put our bodies on the line for our future.

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