

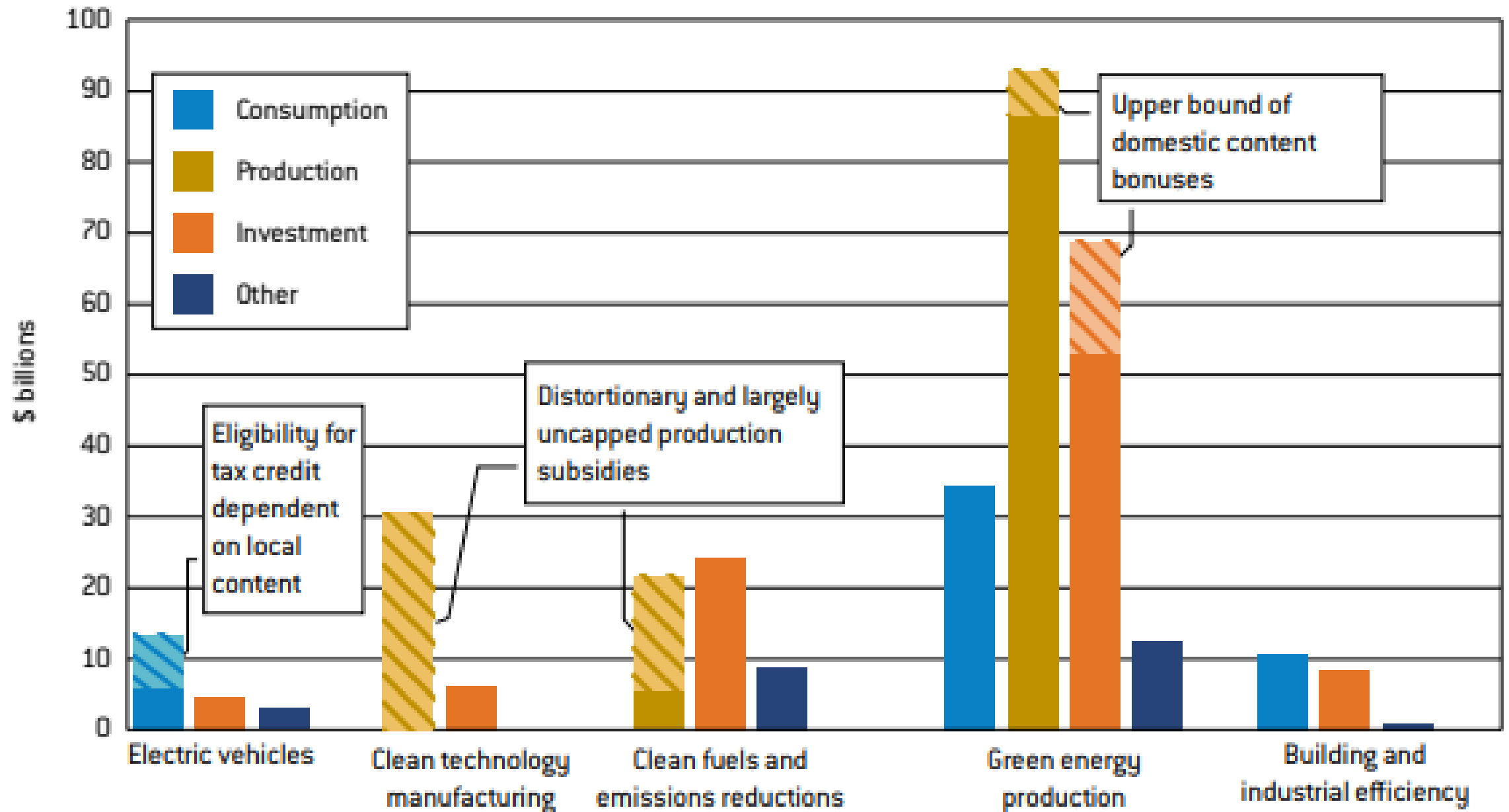


# Introduction to Inflation Reduction Act of 2022 (IRA)

# What is the Inflation Reduction Act (IRA)?

- A budget reconciliation measure
- Contains eight titles that address directly or indirectly climate change issues including reduction of U.S greenhouse gas emissions or promotion of adaptation and resilience to the impacts of the climate change
- Its scope is to reduce U.S GHG emissions by 32% to 40% by 2030
- Consists of three sets of measures: a tax reform, a healthcare reform, and energy and climate legislation, including climate-related spending in the order of \$400 billion over 10 years

**Figure 1: Breakdown of IRA subsidies**



# Which Are the Titles and Why Are They Important?

- Title I- Committee on Finance
  - Clean and renewable resources, alternative fuels, energy efficiency, advanced energy manufacturing
- Title II-Committee on Agriculture, Nutrition and Forestry
  - Agriculture, forestry, land conservation
- Title III-Committee on Banking, Housing and Urban Affairs
  - Materials and goods for the national defence, projects for energy or water efficiency of affordable housing
- Title IV-Committee on Commerce, Science, and Transportation
  - Coastal communities, weather research and forecasting, aviation fuels, low-emission aviation technologies

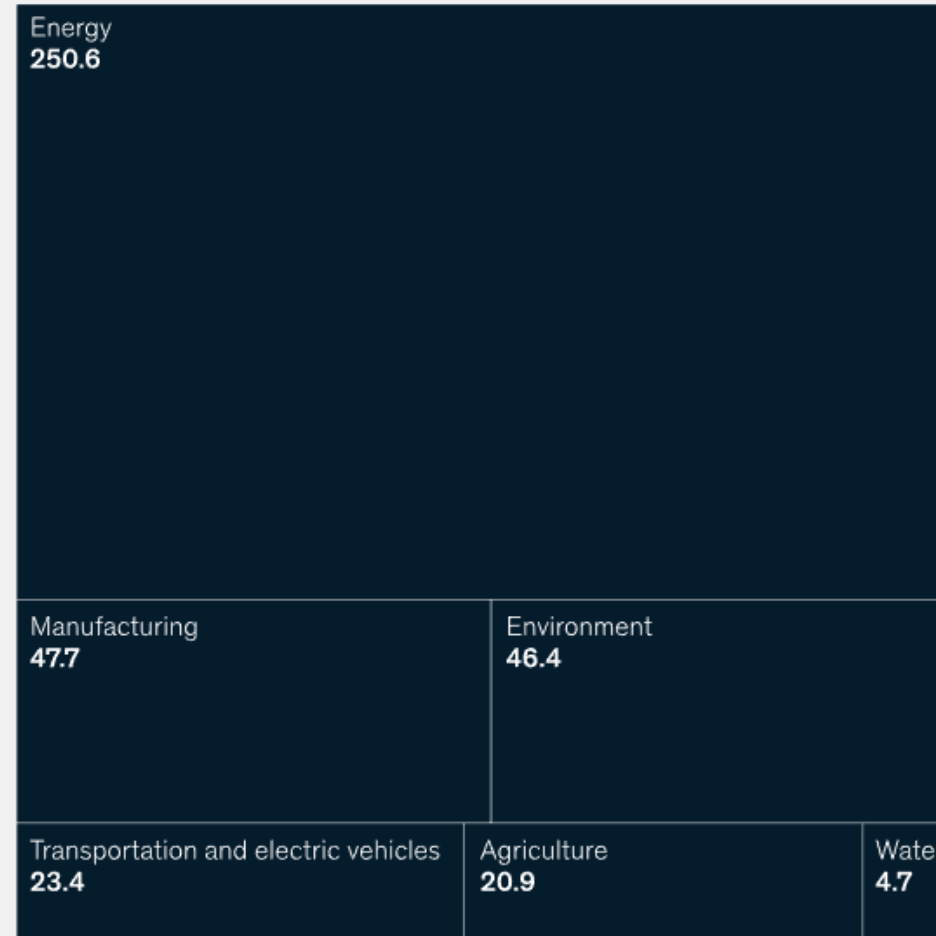
# Which Are the Titles and Why Are They Important? (contin.)

- Title V- Committee on Energy and Natural Resources
  - Energy rebates, building codes, energy efficiency, energy infrastructure, technical assistance to Insular Areas
- Title VI-Committee on Environmental and Public Works
  - Funding to the Environmental Protection Agency (EPA), renewable fuels programs, environmental and climate justice block grants,
- Title VII-Committee on Homeland Security and Government Affairs
  - Funding for several environmental programs
- Title VIII-Committee on Indian Affairs
  - Funding for the Bureau of Indian Affairs (BIA) and the Office of Native Hawaiian Relations for climate resilience and adaption programs

## The Inflation Reduction Act makes investments across a wide range of sectors.

Inflation Reduction Act investments by sector, \$ billion

Total = **393.7**



Significant federal funding for climate efforts

Source: Inflation Reduction Act of 2022, H.R 5376, 117<sup>th</sup> Cong. (2021-2022); McKinsey analysis

IRA funds will flow through more than a dozen federal agencies

Source: Source: Inflation Reduction Act of 2022, H.R 5376, 117<sup>th</sup> Cong. (2021-2022); McKinsey analysis



# How the Inflation Reduction Act Will Help Small Enterprises?

- Lowering costs for small businesses:
  - Preserving critical support for small business health care costs
  - Cutting energy costs for small businesses
  - Lowering the deficit to fight inflation and ensure price stability
  - Lower prescription drug costs for seniors
- Expanding economic opportunities for small businesses:
  - Doubling the Research and Development (R&D) Tax Credit for small businesses
  - Boosting American manufacturing and competitiveness
  - Supporting local clean energy economies
  - Expanding rural opportunities
  - Leveling the playing field by reforming the tax code



## Current Investments under IRA:

- Norwegian FREYR has selected and purchased a site in Coweta County, Georgia for multi-phase Giga America clean battery manufacturing project.
- German carmaker Volkswagen announced it would invest at least \$7.1 billion in North America and launch 25 new electric vehicles by 2030.

# Bibliography

- Inflation Reduction Act Guidebook: <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>
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  - <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/12/fact-sheet-how-the-inflation-reduction-act-will-help-small-businesses/>
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