

# HOW THE INFLATION REDUCTION ACT TACKLES CLIMATE CHANGE & LOWERS ENERGY COSTS FOR FAMILIES



U.S. Senator Gary Peters

U.S. Senator Gary Peters has called for robust, commonsense action to tackle climate change for years — to lower costs, create more economic opportunity and strengthen our national security.

Gary helped the Senate pass the *Inflation Reduction Act* — enacted by the President in August 2022 — which is the most significant investment in U.S. history to address the climate crisis and strengthen American energy security. It will cut emissions and accelerate the deployment of clean energy.

The bill invests \$369 billion that will put the U.S. on a path to roughly 40 percent emissions reduction by 2030, all while helping Michigan families bring down their energy bills, buy new and efficient appliances, weatherize their homes, install heat pumps and rooftop solar, and access good-paying jobs in the clean energy sector. At the same time, this law is fully paid for and will reduce the national deficit.

- **Lower Consumer Energy Costs:** The law provides a range of incentives available now to consumers to relieve the high costs of energy and decrease utility bills. This includes direct consumer incentives to buy energy efficient and electric appliances, clean vehicles, and rooftop-solar, and invest in home energy efficiency, with a significant portion of the funding going to lower-income households and underserved communities. Included in these incentives are:
  - **Clean Energy Rebates:** Consumer home energy rebate programs, focused on low-income consumers, to electrify home appliances and for energy efficient retrofits;
  - **Efficient Appliances and Home Upgrades:** 10 years of consumer tax credits to make homes energy efficient and run on clean energy, making heat pumps, rooftop solar, electric HVAC and water heaters, clothes dryers, stoves and ovens more affordable. These rebates may cover 50-100 percent of the cost of these appliances;
  - **Incentives for Weatherizing Homes:** Households can save up to 30 percent with tax credits for home construction projects on windows, doors, insulation or other weatherization measures that prevent energy from escaping homes. These upgrades can lower future utility bills; and
  - **Clean Vehicles:** \$4,000 consumer tax credit for lower/middle income individuals to buy used clean vehicles, and up to \$7,500 tax credit to buy new clean vehicles.

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- **Increase American Energy Security and Domestic Manufacturing:** This law will support energy reliability and cleaner energy production coupled with historic investments in American clean energy manufacturing:
  - **Incentives to Onshore Manufacturing Jobs to U.S.:** It includes investments to onshore clean energy manufacturing in the U.S. across the full supply chain of clean energy and transportation technologies. These manufacturing incentives that go into effect January 1, 2023 will help alleviate inflation and reduce the risk of future price shocks by bringing down the cost of clean energy and clean vehicles and relieving supply chain bottlenecks. Incentives include:
    - Production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing;
    - Investment tax credits to build clean technology manufacturing facilities, like facilities that make electric vehicles, wind turbines and solar panels;
    - Funding for the Defense Production Act for heat pumps and critical minerals processing;
    - Grants to retool existing auto manufacturing facilities to manufacture clean vehicles; and
    - Loans to build new clean vehicle manufacturing facilities across the country.
- **Reduce Emissions, Accelerate Transition to Clean Energy Economy:** The law includes investments that will reduce emissions in every sector of the economy, substantially reducing emissions from electricity production, transportation, industrial manufacturing, buildings, and agriculture. These investments include:
  - Tax credits for clean sources of electricity and energy storage and targeted grant and loan programs for states and electric utilities to accelerate the transition to clean electricity;
  - Tax credits and grants for clean fuels and clean commercial vehicles to reduce emissions from all parts of the transportation sector;
  - Grants and tax credits to reduce emissions from industrial manufacturing processes, including for a new Advanced Industrial Facilities Deployment Program to reduce emissions from the largest industrial emitters like chemical, steel and cement plants; and

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- Federal procurement of American-made clean technologies to create a stable market for clean products, including major investment for the U.S. Postal Service to purchase zero-emission vehicles—a provision that Gary secured through his role as Chairman of the Senate Homeland Security and Governmental Affairs Committee. This will allow the Postal Service to continue adding more Next Generation Delivery Vehicles and other vehicles to their fleet and enable the Postal Service to invest in charging infrastructure.
- **Invest in Communities and Environmental Justice:** The law includes investments in environmental justice priorities to drive investments in low-income and underserved communities to promote legacy pollution reduction, affordable and accessible clean energy, and a better quality of life and good jobs. These include:
  - Environmental and Climate Justice Block Grants, which will invest in community led projects to address disproportionate environmental and public health harm related to pollution and climate change;
  - Neighborhood Access and Equity Grants, which support neighborhood equity, safety, and affordable transportation access with competitive grants. These will help reconnect communities divided by existing infrastructure barriers, mitigate negative impacts of transportation facilities or construction projects on disadvantaged or underserved communities, and support equitable transportation planning and community engagement activities;
  - Grants to reduce air pollution at ports; and
  - Funding for clean heavy-duty vehicles like school and transit buses and garbage trucks.
- **Increase the Resilience of Rural Communities, Farms, and Forestlands:** This law makes significant investments in climate-smart agriculture, forest restoration, and land conservation, ensuring that rural communities in Michigan and across the country are at the forefront of climate solutions.
  - These investments include:
    - Support for climate-smart agriculture practices;
    - Support for healthy, fire resilient forests, forest conservation and urban tree planting;
    - Tax credits and grants to support the domestic production of biofuels, and to build the infrastructure needed for sustainable aviation fuel and other biofuels; and
    - Grants to conserve and restore coastal habitats and protect communities that depend on those habitats.