



Beyond Climate: 6 Big Benefits of the US Inflation Reduction Act

August 12, 2022 By **Dan Lashof**, Jillian Neuberger and **Matt Herbert** Cover Image by: AHatmaker/Shutterstock

Explainer

Topic **Climate** *Region* **North America**

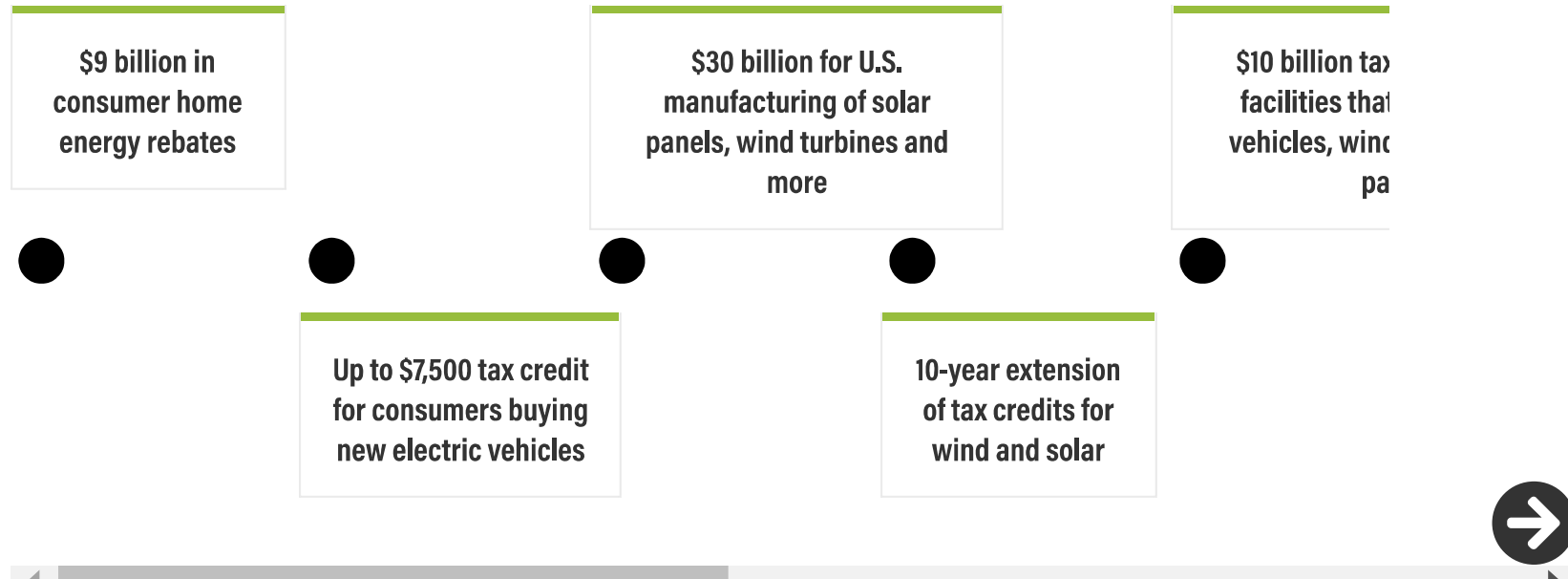
After more than a year of negotiations, Congress passed the [Inflation Reduction Act](#) (IRA), the most significant climate legislation the United States has ever seen.

The IRA invests hundreds of billions of dollars in federal climate action. It will cut [1 billion additional metric tons of emissions in 2030](#), putting America's 50-52% emissions-reduction target [within reach](#) and making substantial progress toward [President Biden's goal](#) of 100% carbon pollution-free electricity by 2035.

Following many difficult months of [high gas prices](#), surging household energy costs and record inflation, the legislation offers Americans both a near-term reprieve as well as long-term protection from volatile oil markets and global supply chain disruptions. The historic climate investments also come at a time when [climate-fueled weather events](#) are devastating communities across the country, leaving behind a deadly and costly path of destruction.

Prior to the IRA, federal climate action had been driven by a patchwork of investments for specific climate-smart technologies and approaches. The IRA lays out a more holistic path forward for the next decade — one that captures the benefits of the full clean energy lifecycle, from domestic manufacturing to deployment in communities to the creation of almost [1 million jobs sustained over the next decade](#).

Climate and Energy Provisions in the Inflation Reduction Act of 2022



Not an exhaustive list of investments

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What Benefits Does the Inflation Reduction Act Provide?

The benefits of the IRA's transformational investments go well beyond climate. The IRA will improve the lives of all Americans through a plethora of household, health, environmental and social benefits.

Here are six ways the Inflation Reduction Act will improve lives:

1) Lower electricity costs

In 2020, more than 1 in 4 American households struggled to pay their energy bills or keep their homes at safe temperatures. Low-income and Black and Latino households generally spend a disproportionately high percentage of

their income on energy bills. The IRA will help reduce energy costs, a [key contributor to inflation](#), and help alleviate monthly bills for all American households. The IRA invests in home electrification and efficiency, electric grid improvements, and lower-cost clean energy, all of which can cut monthly bills.

Over the next decade, [modeling suggests](#) IRA's power sector tax credits could translate into up to \$278 billion in electricity cost savings, with the average household saving up to \$220 annually through lower energy bills and less costly goods and services more generally. Further, the IRA will bring the benefits of clean energy, electrification and efficiency [directly into Americans' homes](#), which can provide significant cost savings. After the IRA is enacted, Americans can claim up to a 30% tax incentive for qualifying residential energy-efficiency improvements, home energy audits, [solar](#) panels, heat pumps and battery storage. (Read more about the tax credits in the IRA [here](#).)

Additionally, households, particularly low-income households, can take advantage of more than \$8 billion of rebates for energy efficiency upgrades and electrification projects. For example, in the case of electrification projects, low- or moderate-income homeowners can receive an \$8,000 rebate for a heat pump for heating and cooling, \$2,500 for electric wiring, \$840 for an electric stove or oven, and more. If a family replaces their furnace with a modern electric heat pump, installs a heat pump for water heating, installs rooftop solar and converts to an electric vehicle, they could save [\\$1,800 per year](#) on energy bills.



2) Less pain at the pump

Americans, who on average drive more than 13,000 miles each year, have experienced record-high gas prices in recent months, driven by Russia's invasion of Ukraine and the volatility of the global oil market. While gas prices have been falling lately, recent price spikes are a painful reminder of how oil dependence leaves American families at the whim of politics outside their borders.

The IRA looks to solve this problem by transitioning from gasoline-powered vehicles to electric vehicles (EVs), which free drivers from high gas prices, cost less to fuel and maintain, and help reduce electricity prices for everyone (if cars are charged when the grid is not experiencing higher-than-average usage). EVs are a clear cost-saver as soon as you drive off the lot. But while prices are dropping, the sticker price for an EV can be considerably more than a gasoline-powered car. The IRA looks to make the cost-saving potential of EVs accessible for all Americans by using tax incentives to increase the availability of public EV charging infrastructure and reduce the price of EVs at the dealership by up to \$7,500 for new cars and up to \$4,000 for used ones.

Further, the IRA will help develop secure domestic supply chains for EV manufacturing to create high-quality American manufacturing jobs and ensure the availability of key EV components.

3) New, quality jobs in a growing economy

The IRA is smart economic policy that could catalyze a clean energy manufacturing renaissance in the U.S. That's why American companies representing nearly \$1 trillion in annual revenue and nearly 1.4 million global employees supported the legislation. The bill as a whole will reduce the federal deficit by hundreds of billions of dollars. Former treasury chiefs from both Democratic and Republican administrations agree the bill will fight inflation.

The economic growth and clean energy manufacturing boom that the IRA promises will be felt across the United States, particularly through job creation. Analysis suggests the IRA's climate and clean energy investments will create

more than 9 million job-years over the next decade — an average of almost 1 million jobs sustained over the period. The IRA aims to ensure these jobs are both high-quality and accessible by providing increased tax incentives for projects that meet local wage standards and support apprenticeships.



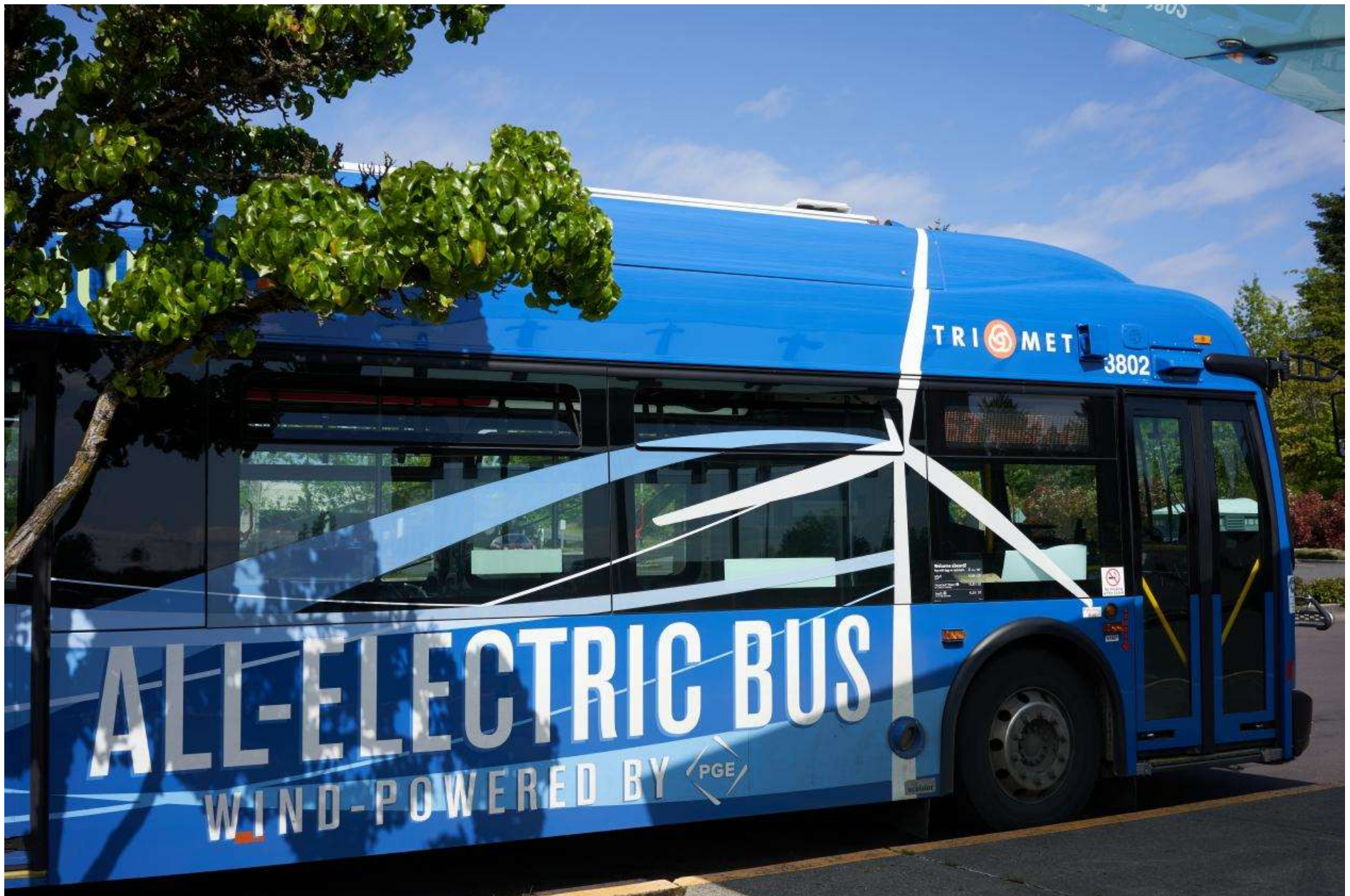
A woman installs rooftop solar panels. The Inflation Reduction Act is expected to create nearly 1 million new jobs sustained over the next decade, including in the clean energy sector. Photo by Franco Lucato/Shutterstock

4) Cleaner air and better health

The climate crisis is also a public health crisis. [According to the World Health Organization](#), climate change may be the single-biggest health threat facing humanity.

Reducing emissions can not only help limit the long-term health impacts of climate change, it can also directly reduce harmful pollution immediately. One [study](#) found the IRA's clean energy measures could reduce air pollution and prevent up to 3,900 premature deaths and 100,000 asthma attacks by 2030. The [avoided deaths](#) are concentrated in communities of color that are disproportionately burdened by polluting infrastructure like fossil fuel plants.

The IRA uses tax incentives, grants and loans to spur clean electricity generation. Achieving a 100% clean electricity grid in the U.S. would save [1.9 million lives globally](#) through the end of the century that would otherwise be lost to climate change-driven health impacts.



All-electric bus in Portland, OR. The Inflation Reduction Act provides \$1 billion for clean heavy-duty vehicles like buses and garbage trucks. Photo by Tada Images/Shutterstock

5) A move towards equity and justice

The costs of climate change and pollution are not distributed equally in the U.S. Instead, those who contribute least to the climate crisis — including low-income communities and Black, Latino, Indigenous and other communities of color — are most endangered by it.

Equitable climate action should not just reduce emissions, but also address systemic racism and wealth inequity. The IRA alone does not do nearly enough to realize equitable climate action, and it includes painful compromises that will negatively impact some communities — such as opportunities to lease federal land for oil and gas production if the government is considering leases for renewable energy on these lands. But the legislation does represent a critical and overdue integration of equity and justice considerations into federal climate policy.

The IRA directly funds community projects that address the environmental and health impacts of pollution and climate change, builds climate resilience in Tribal and Native Hawaiian communities, and reduces pollution from ports and from medium and heavy-duty vehicles. These actions improve the lives of communities that already experience significant air pollution.

The legislation also reconnects communities that were physically divided by past infrastructure projects. The IRA prioritizes disadvantaged communities and integrates equity into broader climate and clean energy programming, including offering enhanced tax credits for projects that benefit low-income, polluted, Tribal and fossil fuel-dependent communities. It also creates a \$27 billion clean energy technology accelerator that focuses especially on disadvantaged communities.

6) Safer communities around the world

The fight to address the climate crisis in the U.S. and globally does not end with the passage of the IRA. The real test of every bill is its implementation, and beyond IRA, further federal action will be needed to rise to the climate change challenge.

However, [after decades of inaction](#), Congress has finally passed meaningful climate legislation that puts the country's 2030 emissions-reduction goal within reach and reduces the global climate impact of world's second-largest emitter.

The IRA will [cut U.S. emissions](#) by an additional 1 gigaton — more than double the UK's total emissions in [2018](#) — while reducing overall emissions to 40% below 2005 levels by the end of this decade. This puts the nation's 50-52% emissions-reduction target within reach, but [additional actions](#) by the federal government, states, cities and the private sector can and must bridge this gap. Halving emissions by 2030 will have a profound impact — not only in the U.S., but by helping the world avoid the worst impacts of climate change.

The Inflation Reduction Act Sets Americans Up for a Better Future

By passing the IRA, Congress has ensured that everyone across the United States will have access to the benefits of climate action. Over the next 10 years, Americans will experience the impact of this historic legislation every day — in their homes, in the air they breathe, when they fuel their cars, as they pay their bills, and as we all work to address the climate crisis and ensure a livable future. There is always [more to do](#), but the IRA is climate policy that delivers for all of us today, while investing in a just and prosperous tomorrow.

Relevant Work

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A Brief Summary of the Climate and Energy Provisions of the Inflation Reduction Act of 2022

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The Health, Economic and Community Benefits of Zero-carbon Buildings

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