Nuclear Town Hall November 15, 2024

How Resilient is the Inflation Reduction Act – Post-election 2024?
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With the U.S. elections almost in the rear-view mirror and with the apparent Republican-party trifecta control of the White House and both branches of Congress, one of biggest mysteries unfolding at least in the energy and climate arena is how much funding under the Inflation Reduction Act (IRA) has been be firmly committed and obligated and how much might be available to be clawed back by the new incoming Trump Administration.

A recent Politico article reported that the Federal agencies and departments have announced tentative awards for roughly two-thirds of the $145 billion appropriated to climate efforts under the IRA. However, the Biden administration has to date provided no official definitive accounting of how much of that money has legally been both committed and obligated – a number that Politico points out will be critical for what is expected to be an effort by the Trump Administration and its GOP congressional allies to target for clawing back funding under IRA.

During the presidential campaign, President-elect Donald Trump pledged to end the "waste" of taxpayer dollars driving inflation and energy costs. “All of the trillions of dollars that are sitting there not yet spent, we will redirect that money for important projects like roads, bridges, dams, and we will not allow it to be spent on meaningless Green New Scam ideas,” Trump said.

With that Trumpian statement as a stage setter, there are number of key points which will frame the forthcoming struggle in Congress over the remaining funding available under the IRA:

- There are no assurances that the IRA funding will be as resilient and immune from clawback efforts in the next Congress as it was in the current session; however, more than half of IRA's funding is forecasted to be locked in by 2025;
- Existing contracts, loans, and matched state funds are most secure; yet unobligated funds are more at risk for areas like transportation, building efficiency, manufacturing, and agriculture sectors and could face dramatic cuts in 2025 and 2026;
- The Advanced Nuclear funding provisions are more likely safe for the time being due to bipartisan support and jobs impact; and
- Committed private sector and state investments provide a measure of resilient to program funding reductions

So, how resilient is the Inflation Reduction Act after the 2024 elections?

Under the current rubric of laws and Congressional norms, the most challenging IRA funding provisions to alter include contracted loan guarantees, awarded grants, completed investment tax credits, and programs with state matching funds. Conversely, unobligated funds, future year appropriations, and programs not yet implemented are more vulnerable to changes.

From a legal and administrative standpoint, different types of IRA provisions have varying degrees of vulnerability. Spending programs with obligated funds and multi-year contracts have legal protections and termination costs. Tax provisions would require legislative action to alter and could substantially impact existing investments if modified. In a recent Climate Program Portal update, clean energy tax credits under the IRA are uncapped and could remain open through 2032, with estimates of their value ranging from $244 billion to over $1 trillion. Thus, making the IRA tax credits likely targets for claw backs as “pay-fors” for the tax cut extension bill soon to taken up as a priority measure of the new Congress.

By 2025, many of the IRA’s programs will be well-established or binding. Major efforts such as the EPA's $27 billion Greenhouse Gas Reduction Fund, $2 billion in National Labs infrastructure, and $3 billion for USPS electric vehicles will have initiated implementation with contracts already in place. Additionally, the $500 million Defense Production Act funding and various state and tribal grant programs will be significantly underway.

Private sector and state-level engagement add another layer of complexity or resiliency. The $30.6 billion Advanced Manufacturing Production Credit has already stimulated considerable private investment in manufacturing facilities. States are actively executing programs under the $5 billion Climate Pollution Reduction Grants, and numerous corporations have aligned their clean energy strategies with IRA tax credits. These investments have created vested interests in maintaining the programs. Similarly, the production and investment tax credits are designed with 10-year terms, forming long-term financial commitments that are both legally and practically challenging to reverse.

The IRA’s long-term commitments create considerable hurdles to major policy changes. For instance, the Department of Energy’s (DOE) Loan Programs Office (LPO) holds $40 billion in loan guarantee authority, while the $250 billion Energy Infrastructure Reinvestment Financing program involves multi-year contracts and intricate project finance structures, typically spanning 7-10 years. In its most report on Estimated Remaining Loan Authority, the DOE LPO reports that the
Title 17 Innovative Clean Energy Program (1703) has $67.2 billion remaining in statutory lending authority and the Title 17 Energy Infrastructure Reinvestment Program 1706) as $244.8 billion remaining in statutory lending authority based on current credit subsidy available.

The IRA’s nuclear power provisions, totaling around $30 billion, seem especially resilient to potential changes. The Zero-Emission Nuclear Power Production Credit, combined with

DOE loan guarantee authority and the National Labs research funding, enjoy strong bipartisan support due to its ties to energy security, high-paying jobs, and extensive capital investments across multiple states.   These nuclear initiatives support existing fleet operations and align with broader energy security goals, making them less likely to face significant modifications.

In summary , the next Congress is likely to be considerably more fiscally conservative and more focused on energy production than on climate change. That said, several areas may see reduced priority and less spending, including:

1. Transportation Technologies including electric vehicles (EVs) and charging infrastructure, zero-emission postal vehicles, and clean ports and heavy-duty vehicles, as well as sustainable aviation fuel.
2. Building Technologies covering energy-efficiency, building materials, green building upgrades, and building electrification, as well as high-efficiency electric home systems.
3. Manufacturing advanced energy manufacturing facilities, clean technology supply chains, and low-carbon construction materials.
4. Agricultural and Land Management involving conservation programs, forest management, drought mitigation, and coastal resilience.
5. The DOE LPO Program lending authority and funding if for no other reason than the reluctance to “pick winners and losers” under a more fiscally conservative Congress which is less inclined to allow government agency programs determine industrial policy.

Overall , there is no assurance that the IRA will be as resilient in the next Congress as it was in the current session, existing contracts, loans, and matched state funds are most secure. However, unobligated funds are more at risk for areas like transportation, building efficiency, manufacturing, and agriculture sectors could face dramatic cuts in 2025 and 2026.   The $30 billion allocated for nuclear provisions is likely to remain intact due to strong bipartisan support and the positive impact on jobs and our nation’s energy security.