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MEMORANDUM

RE: Inflation Reduction Act of 2022

Background

In late July, Senate Majority Leader Chuck Schumer (D-NY) and Sen. Joe Manchin (D-WV) announced they reached an unexpected agreement on a long sought-after budget reconciliation package, giving momentum to a key piece of President Biden's agenda, which had been stalled since last summer. The final legislation, the Inflation Reduction Act of 2022, is the product of months of intra-party negotiations between Senator Schumer and Senator Manchin and will provide $369 billion for energy security and climate change programs.

Overall, the legislation would reduce the deficit by over $300 billion in the next decade according to the Congressional Budget Office, invest in domestic energy production and manufacturing, reduce carbon emissions by roughly 40 percent by 2030, and make changes to both Medicare and the Affordable Care Act.

A breakdown of the revenue raised and investments is below:

TOPLINE ESTIMATES:

TOTAL REVENUE RAISED	**$739 billion**
15% Corporate Minimum Tax	*313 billion**
Prescription Drug Pricing Reform	*288 billion***
IRS Tax Enforcement	*124 billion***
Carried Interest Loophole	*14 billion**
TOTAL INVESTMENTS	**$433 billion**
Energy Security and Climate Change	*369 billion****
Affordable Care Act Extension	*64 billion***
TOTAL DEFICIT REDUCTION	**$300+ billion**

* = Joint Committee on Taxation estimate
** = Congressional Budget Office estimate

Soon after introducing the legislation, the Senate on August 7th passed the hard-fought reconciliation package by a 51-50 vote, with Vice President Kamala Harris breaking the tie. The legislation was offered as a substitute amendment to the House-passed Build Back Better Act (H.R. 5376) and Senate passage opened the door for the House to reconvene and take up the legislation on August 12th.

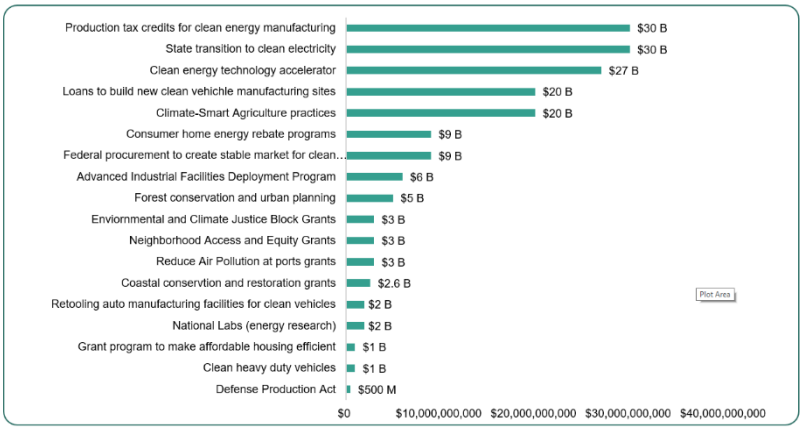
ASCE Position

While ASCE did not take a formal position on the Inflation Reduction Act due to its full scope, ASCE is pleased to see that the legislation takes into account the impacts of climate change on the nation's infrastructure. ASCE has been a long-time advocate for the nation to utilize new approaches, materials, and technologies to ensure our infrastructure can withstand or quickly recover from increasingly strong storms, going so far as to make resilience a key solution in the 2021 Report Card for America's Infrastructure.

The Inflation Reduction Act provides much needed investments to make sure our ports are more resilient, that communities across the country are preparing for climate change, and that our electric grid is being modernized for the future. The Inflation Reduction Act, combined with investments in research and development in the CHIPS Act, and the investments across all categories of our infrastructure in the Infrastructure Investment and Jobs Act, strengthens the vital systems that all Americans rely on and ensures that our infrastructure is built to address the pressing needs of the 21st century.

Bill Summary – Environmental, Energy, and Climate Provisions

The legislation includes $386 billion for climate and energy spending and tax breaks – mainly for new or expanded tax credits that will promote clean energy generation, electrification, green technology retrofits for homes and buildings, greater use of clean fuels, environmental conversation, and the wider adoption of electric vehicles.



Clean Electricity Infrastructure and Reduction of Energy Costs

- **Transmission Infrastructure Financing-** $2 billion for the Department of Energy to provide direct loans through Transmission Facility Financing to support transmission project development.

- **Transmission Line Siting**-$760 million for competitive grants through the Department of Energy to support siting of interstate electricity transmission lines. These grants will support impact studies for transmission projects, alternate siting examination, and improved efficiency of transmission project approval process.

- **Electricity Emissions Reduction**-$87 million for EPA to support low emissions electricity programs nationwide. This includes $17 million for outreach and technical assistance for states and tribes, $17 million for consumer education and outreach, and $17 million for industry outreach.

- **Rural Clean Energy-** $13.3 billion for clean energy initiatives in rural communities (pg. 547). This includes
    - $1 billion for loans for renewable energy under the Rural Electrification Act
    - $1.53 billion for loans and grants under USDA's the Rural Energy for America Program
    - $9.7 billion for USDA assistance to rural electric cooperatives, supporting long-term resiliency, reliability, and affordability of rural electric systems through grants and loans.

- **Building Efficiency Grants** - $27 billion for building efficiency, electrification, and transmission through Department of Energy grants**.**

Transportation

While the legislation is primarily a climate, tax, and healthcare package, there are several provisions related to transportation. Among them are:

- **Clean Technology Manufacturing -** $10 billion in tax credits to build clean technology manufacturing facilities that make electric vehicles, wind turbines, and solar panels.

- **Auto Manufacturing** - $2 billion in grants to retool existing auto manufacturing facilities to manufacture clean vehicles, ensuring that auto manufacturing jobs stay in the communities that depend on them.

- **EV Tax Credits** - $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.

- **Commercial EV Tax Credits** - $1 billion for clean heavy-duty vehicles, such as school and transit buses.

- **Port Infrastructure** - $3 billion for grants to reduce air pollution at ports. These grants will support the purchase and installation of zero-emission equipment and technology at ports as well as help ports develop climate action plans. The funding is split between $2.25 billion for any U.S. port, with the remaining $750 million set aside for ports in Clean Air nonattainment areas.

- **Transportation Equity** - $3 billion for Neighborhood Access and Equity Grants. These grants are geared toward community-led projects to address equity, safety, and affordable transportation. Funding would be broken out with:

    - $1.89 billion for competitive grants similar to the Reconnecting Communities Pilot Program,
    - $1.1 billion for Federal Highway Administration grants, and
    - $42 billion for technical assistance.

- **Low-Carbon Construction Materials** - $2 billion to support domestic manufacturing and use of low-carbon construction materials for use on federal highway projects. The Federal Highway Administration can either reimburse the non-federal partner for the increased incremental cost of using low-carbon material (relative to traditional materials), or else just give an incentive payment of 2 percent of the materials.

- **Environmental Reviews** - $100 million to facilitate the development and review of documents for the environmental review process for proposed projects through the Federal Highway Administration.

- **Sustainable Aviation Fuel** - $297 million to establish a competitive grant program for eligible entities to carry out projects in the United State that produce, transport, blend, or store sustainable aviation fuel, or develop, demonstrate, or apply low-emission aviation technologies.

Emissions Reduction and Combatting Climate Change

- **Greenhouse Gas Emissions Reduction Fund -** $27 billion to establish a Greenhouse Gas Reduction Fund at EPA to leverage private investments in climate change mitigation projects, with 40 percent of funds reserved for low-income communities. These funds include:
    - $12 billion for competitive general assistance grants for emissions reduction activities
    - $8 billion for competitive grants to support emissions reduction activities in disadvantaged communities
    - $7 billion for competitive grants to support deployment of zero-emission technologies

- **Climate Pollution Reduction -** $5 billion for EPA Climate Pollution Reduction competitive grants to support states in planning and implementing greenhouse gas reduction programs. This includes $250 million in planning grants, and $4.75 billion for implementation grants.

- **Methane Emissions Reduction Program -** $1.55 billion to establish an EPA Methane Emissions Reduction Program, provided through loans, rebates, contracts, and grants to businesses subject to the program in reducing methane emissions.

- **Environmental Reviews -** $70 million for more efficient and effective environmental reviews, which includes
    - $40 million for EPA to improve efficiency of environmental revies, permitting, project approvals
    - $30 million for the Council on Environmental Quality to train personnel, develop programmatic documents, and improve stakeholder and community engagement.

Coastal and Environmental Restoration and Disaster Mitigation

- **Investing in Coastal Communities and Climate Resilience** - $2.6 billion for the National Oceanic and Atmospheric Administration for coastal habitat restoration, conservation, and resilience. This funding will support grants, cooperative agreements, technical assistance, and direct expenditures to assist coastal states with conservation of habitats, fisheries, and other natural resources, and support the enhancement of climate resilience for these communities.

- **Wildfire Mitigation -** $5 billion for grants to support forest management and wildfire mitigation programs. This includes:
    - $400 million for the National Forest Service to support competitive grants for non-federal forest land owners to implement climate resilience and mitigation practices.
    - $100 million for the National Forest Service Wood Innovations competitive grant program to support removal of hazardous fuels
    - $2 billion in competitive grants for land acquisition and tree planting activities.

- **Resiliency of Public Lands -** $250 million for National Parks and Bureau of Land Management to support resiliency and conservation projects on public lands.

- **National Parks Deferred Maintenance -** $200 million for National Park Service to carry out priority deferred maintenance projects.

- **Drought Mitigation -** $4 billion for the Bureau of Reclamation to carry out drought mitigation activities through grants, contracts, and financial assistance. Activities supported include compensation for voluntary water diversion, voluntary conservation projects to reduce water supply demand, and restoration of ecosystems affected by drought conditions.

Next Steps

Shortly after announcing the agreement on the Inflation Reduction Act, Senators Manchin and Schumer, as well as House Speaker Nancy Pelosi (D-CA) also announced a deal to make reforms to environmental permitting policy for energy projects. In exchange for these reforms—along with expediting permitting for a 300-mile natural gas pipeline in West Virginia—Senator Manchin agreed to support the climate change and clean energy budget reconciliation package called the Inflation Reduction Act.

The permitting reforms, expected to be voted on later this fall include setting: maximum 1–2-year timelines for environmental reviews on energy infrastructure projects, a statute of

limitations for court challenges, and enhancement of federal permitting authority for interstate electric transmission facilities determined to be in the national interest.

ASCE supports reducing delays in the permitting process for projects to build 21st century infrastructure systems and will continue monitor any future permitting legislation. Additionally, ASCE advocates for a balanced approach to processes under the National Environmental Policy Act, or NEPA, that streamlines permitting and approval processes but not at the expense of science-based evaluation and determination of environmental impacts.

For questions, please contact the ASCE Government Relations team.

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