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US Climate and Industrial Policy: What We've Won, What Comes Next

Article by Julia Jeanty, Marcela Mulholland
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The passing of three major US industrial policy bills is a landmark for climate policy in the United States and the world. With longstanding deadlocks over how to pay for the green transition breached, Marcela Mulholland and Julia Jeanty argue that the next stage of climate politics in both the US and the EU is about making sure that the infrastructure we so critically need is built out at pace.

This article is published in cooperation with the Progressive Governance Summit 2022, Europe's biggest conference on progressive politics. It will take place on 12/13 October in Berlin. Full program and registration for the livestream here.

The recent passage of the Inflation Reduction Act (IRA) signals a changing tide in global climate engagement and asserts the US as a leader in climate mitigation. The bill – the single largest climate investment in US history – leverages 369 billion dollars to scale clean energy production, develop climate innovation technologies, create jobs, and reduce pollution in disadvantaged communities. The IRA integrates climate considerations into the bedrock of the US domestic and foreign policy agenda for decades to come, unlocking new investments in durable climate solutions that will have a transformational impact on our global climate system. It also creates space for a new age of global cooperation on climate to emerge, particularly as the implementation of the IRA will begin in the lead-up to COP27.

While the IRA is a significant first step in helping the US meet its climate and energy goals, for it to be effective, we must also pursue new opportunities to scale up clean energy infrastructure, while decarbonising typically carbon-intensive sectors. Doing so means leveraging the policies outlined in the Infrastructure Investment and Jobs Act (IIJA) and CHIPS and Science Act (CHIPS), and complementing them with regulatory reforms that actually allow the country to build, following the examples of Sweden, Germany, and Denmark, which have been highly successful in scaling their clean energy infrastructure and decarbonising across sectors.

We are entering a new era of climate politics, defined not by what we oppose, but by what we build.

What We've Won

Thanks to years of research and development in collaboration with the private sector, the US has been adept at innovating power generation technologies over the past few decades. Where the country falls short, however, is in building out transmission systems to deliver energy where it needs to go, deploying carbon removal technologies at the scale demanded by the Intergovernmental Panel on Climate Change to tackle current *and* past emissions, and scaling our manufacturing capacity to produce climate innovation technologies like solar panels, wind turbines, direct-air-capture hubs, and batteries.

The Biden Administration's actions on climate thus far look to tackle these challenges, with the IIJA, CHIPS, and IRA each delivering unique opportunities to decarbonise the US economy across sectors

and deliver unprecedented innovations in climate infrastructure and technology.

Some highlights include:

1. IIJA – invests 1.2 trillion dollars in upgrades to US infrastructure, including 27.65 billion dollars for power and grid reliability and resiliency, 20 billion dollars for clean energy demonstration projects, and 3.5 billion dollars to establish four regional direct-air-capture hubs.

2. CHIPS – provides 52.7 billion dollars to accelerate the research, development, and manufacturing of semiconductors. These investments are critical for increasing US manufacturing capacity, particularly to bolster the clean energy supply chain.

3. IRA – invests 369 billion dollars in climate and clean energy, including the following tax incentives: 121 billion dollars for clean electricity, 50 billion dollars to increase US clean energy manufacturing and critical mineral processing, 11.5 billion dollars for industrial emissions reduction programs, and over 50 billion dollars for environmental justice. IRA's collective investments are projected to reduce carbon emissions by roughly 40 per cent by 2030.

Where IIJA makes critical inroads in restoring dated infrastructure and CHIPS marks a resurgence of industrial policy, IRA sits at the intersection of both, offering incentives for transitioning to a clean energy economy for consumers and companies alike. Investment is just one tranche of the pie, however. To unlock the full potential of these investments, the United States must adapt its regulatory and permitting framework to build out the clean energy infrastructure supercharged by these bills quickly and efficiently.

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Constructing a path toward clean energy

In May 2022, the European Commission introduced a plan, REPower EU, for creating a shorter and simpler permitting process for renewable energy development in areas identified to have minimal environmental risk. This plan seeks to tackle challenges like administrative burdens, grid connection issues, and social license problems that make it difficult, if not impossible, for the EU to meet its objective of climate neutrality by 2050. These challenges are also pervasive in the US and pose significant roadblocks to meeting US climate goals and unlocking the full potential of recent investments.

Modelling from the REPEAT Project at Princeton University finds that the IRA will lead to around a 40 per cent reduction in emissions compared to 2005 levels by 2030. One major caveat: to hit that 40 per cent mark, the model assumes quick siting and build-out of clean energy projects – a huge assumption to make. As we speak, thousands of megawatts of clean energy are entangled in the permitting process, and further analysis finds that 80 per cent of projected emissions reductions would be lost if transmission build-out and siting continue at current rates. If we take a look at a specific sector: the US has only 42 megawatts of offshore wind in operation and a little over 900 megawatts under construction, with more than 18,000 megawatts tied up in permitting issues. The climate investments in the IRA are critical, but they are not enough. The impact of those investments can only be unlocked by making it easier to build.

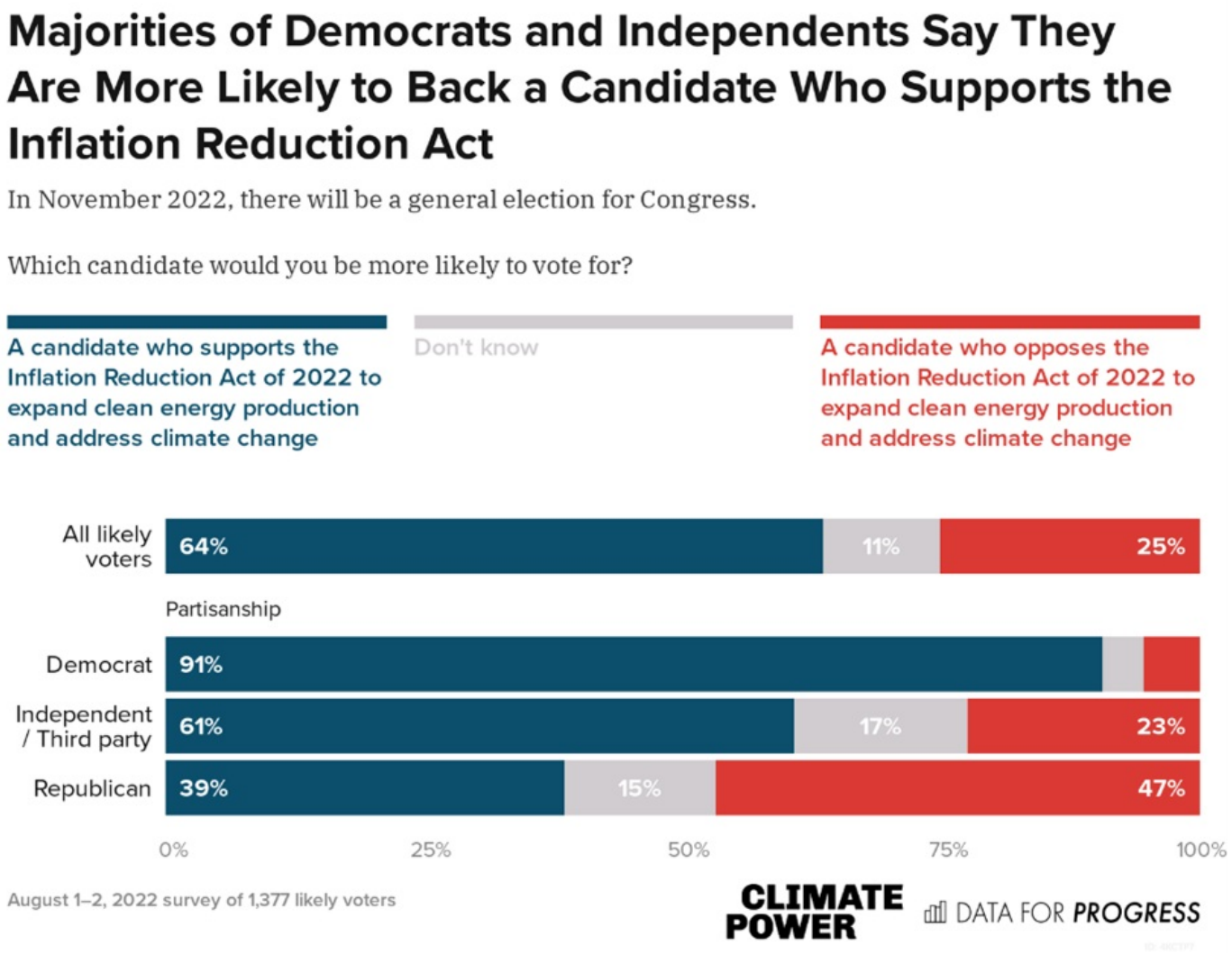
For many years, the US climate movement unified behind our goal of passing federal climate legislation, which we've now done. But in the wake of this victory, fissures once brushed under the rug are coming to the fore. In the 1960s and '70s, the environmental movement found success in

aligning itself around what we opposed. It was enough to have a legal and policy strategy solely oriented toward making it harder for industry to do bad things like polluting our air and water. We must now align ourselves around making it easier to build massive amounts of clean energy infrastructure.

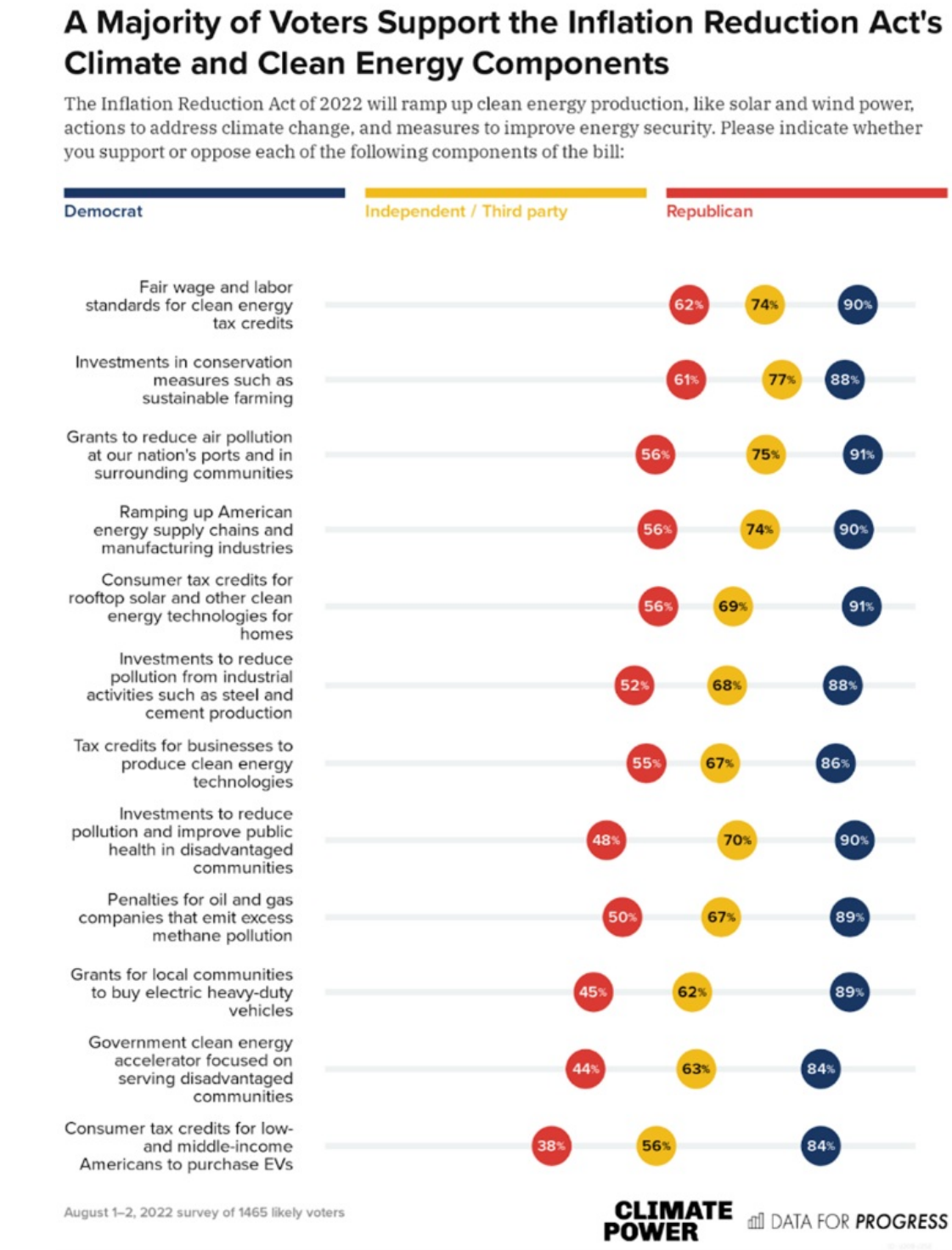
We can learn from our partners in Europe about how to build more efficiently. The EU and US face similar challenges to expanding clean energy infrastructure. In both the US and EU, the average permitting times for energy projects like solar, offshore wind, and transmission lines can exceed 10 years. The EU, however, is taking notable steps to address this by directing EU member states to identify “renewable go-to areas” where clean energy projects can receive permits within a year; engaging communities early and often in the project development process; and establishing biannual monitoring, reporting, and review protocols for permitting. The US should follow the EU’s lead by expediting the permitting process for clean and renewable energy to make a carbon-free future our reality.

What the data shows

Action on climate change has major electoral implications as well, particularly as the US midterm elections approach. Data for Progress polling shows that the IRA has broad support among the electorate. We even find that nearly two-thirds of voters (64 per cent) of voters say they would be more likely to vote for a candidate who supports the bill.



Furthermore, the IRA's climate and clean energy provisions in particular are extremely popular with voters across party lines, including investments to ramp up America's energy supply chains and clean energy manufacturing industries, consumer tax credits to lower the costs of clean energy technologies, and investments to capture and safely store waste from high-pollution industries such as cement and steel production. This support remains consistent at the state level too, with a wide majority of voters across the political spectrum in Michigan, Wisconsin, and Arizona supporting the Inflation Reduction Act.



Beyond highlighting the popularity of specific climate investments, the messaging of these bills is

critical as well. Our data shows that messages focused on climate change mitigation as a pathway to economic security and short-term economic benefits, like lower energy prices and good jobs, are most effective with voters. Communicating most effectively about climate change is vital to continue building support for climate investments.

A new era of climate politics

The past year of legislative action has led to what some have called a "mini-golden age" of climate policy in the US. It took us decades to get here, but no longer is the US demanding more from others than it is willing to do as a country. However, the fight has just begun. We are entering a new era of climate politics, defined not by what we oppose, but by what we build. To ensure make the IIJA, CHIPS, and IRA's full emissions reduction potentials reality, the climate movement must reckon with what the next phase of climate advocacy looks like. We fought for federal investments and won – now we must actually deploy those dollars to projects and grants across the country. This will require a productive conversation about how to quickly and efficiently build out clean energy infrastructure. We look forward to a new vision for the environmental movement where we continue to improve air and water quality, provide Americans with affordable energy, and do what it takes to decarbonise.

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