

Inflation Reduction Act of 2022 Summary for the Water Resources Community



BIG FIRM CAPABILITY • SMALL FIRM ATTENTION • RESULTS YOU DESERVE

THE IRA AT A GLANCE

- *Revenue*

- 15% Corporate Minimum Tax -- \$222 Billion
- Prescription Drug Pricing Reform -- \$265 Billion
- IRS Tax Enforcement -- \$124 Billion
- 1% Stock Buybacks Fee -- \$74 Billion
- Loss Limitation Extension -- \$2 Billion

- *Investments*

- Energy Security and Climate Change -- \$369 Billion
- Affordable Care Extensions -- \$64 Billion
- Western Drought Resiliency -- \$4 Billion



INFLATION REDUCTION ACT of 2022

- Became Public Law 117-169 on August 16, 2022
- Passed under the Budget Reconciliation Process with no Republican Support
- Does Not reduce inflation according to the Congressional Budget Office; but Does contain hundreds of provisions addressing Administration priorities
- Provisions are Focused on:
 - Taxes
 - Climate Change
 - Prescription Drug Pricing
 - Affordable Care Act Extensions



TIMELINE FOR IMPLEMENTATION WILL VARY

- There are hundreds of provisions
- New programs and grants will require Implementation Guidance from the Agencies
- Political power shifts could affect which provisions get attention



Things to Consider

- Law is not focused directly on water resources development, but...
- Do you have a project or activity that fits, or can be re-packaged to fit, the criteria for a new program or grant under the law?
- Could a new project, under one of these programs, be sited on land that you control and carried out by another public entity?
- Others could get these grants for projects that would impact your operations.
- Be engaged with the appropriate agency developing the Implementation Guidance to ensure your project is eligible.



Categories of Provisions for Water Interests

- Tax Credits
- Emissions and Pollution Reduction
- Transportation Programs
- Resiliency, Public Lands, and Conservation Programs



TAX CREDITS

- ***Production Tax Credit***

- Extends the production tax credit (PTC) for electricity generated from renewable energy sources for facilities that begin construction before Jan. 1, 2025.
- The credit would be increased for facilities located in “energy communities” that:
 - Are a brownfield site;
 - Are a metropolitan statistical area or non-metropolitan statistical area that:
 - Has/had after 2009 .17% direct employment rate in or 25% tax revenue derived from the coal, oil, or natural gas sectors and
 - Has/had after 2009 an unemployment rate at or above the national average for the previous year;
 - Are in a census tract or adjacent tract where a coal mine or coal-fired electric generating unit has closed.
- This credit is eligible for direct pay to local governments and public entities.

- ***Energy Investment Tax Credit***

- Extends the energy investment tax credit (ITC) for facilities that begin construction before January 1, 2025.
- Provides credit for certain investments in renewable energy property, including solar, fiber-optic, fuel cell, small wind, offshore wind, combined heat and power and waste energy recovery projects.
- This credit is eligible for direct pay to local governments and public entities.



TAX CREDITS

- ***Carbon Capture Credit***

- Extends the carbon capture (45Q) tax credit for carbon sequestrations projects that begin construction before January 1, 2033.
- Based on each metric ton of qualified carbon oxide (QCO) captured using carbon capture equipment and disposed of in secure geological storage or used in certain oil or natural gas recovery projects.
- The IRA eases the value reduction of the 45Q tax credit when used in conjunction with a tax-exempt bond, such as the new carbon capture private activity bonds (PABs) issued by state or local governments.
- This credit is eligible for direct pay to local governments and public entities.

- ***Clean Hydrogen Tax Credit***

- Creates a new tax credit for the production of clean hydrogen at a qualifying facility for the first 10 years of production.
- Qualifying facilities are those that begin construction before January 1, 2033.
- This credit is eligible for direct pay to local governments and public entities.



TAX CREDITS

- *Nuclear Investment Tax Credit*

- Establishes a new tax credit for zero-emission nuclear power that is produced and sold after 2023.
- The credit is reduced as the price of electricity sold by the facility increases.
- This credit is NOT eligible for direct pay.

- *Commercial Clean Vehicle Tax Credit*

- Establishes a new tax credit for eligible commercial clean vehicles, such as zero-emissions buses or garbage trucks.
- The credit is equal to 30 percent of the cost of the vehicle or the incremental cost of the vehicle, whichever is lower.
- Mobile machinery and commercial fuel cell vehicles would also be eligible for the credit.
- This credit is eligible for direct pay to local governments and public entities.



EMISSIONS AND POLLUTION REDUCTION PROGRAMS

- ***Greenhouse Gas (GHG) Reduction Program***

- Establishes two grant programs to help local governments reduce greenhouse gas emissions.
 - The first provides \$7 billion in FY 2022 for EPA to make grants to states, municipalities, tribes, and nonprofits to enable low-income and disadvantaged communities to adopt and benefit from zero-emission technologies.
 - The second provides \$20 billion in FY 2022 for EPA to provide financial and technical assistance on projects to reduce greenhouse gas emissions.
 - \$8 billion of this amount would be set aside for projects in low-income communities.

- ***Methane Emissions Reduction Program***

- Establishes a Methane Emissions Reduction Program at EPA to provide grants, rebates and other financial incentives to encourage industry to reduce methane.
- Can also be used to improve the climate resiliency of local communities, mitigate the health effects of emissions in low-income and disadvantaged communities, and support environmental restoration.
- The program is funded at \$1.55 billion for FY2022.



EMISSIONS AND POLLUTION REDUCTION PROGRAMS

- ***Climate Pollution Reduction Grant Program***

- Establishes a program for states, local governments, and other eligible entities for greenhouse gas air pollution planning and implementation activities.
- Provides additional federal technical assistance.
- Funded at \$5 billion in FY 2022.

- ***Air Pollution Grant Programs***

- Creates a number of small grant programs intended to improve the monitoring of and reduce air pollution. This includes:
 - A \$117.5 million air monitoring grant program;
 - A \$3 million program to deploy air quality sensors in low income and disadvantaged communities; and
 - \$20 million for methane monitoring.
- Air pollution control agencies will be eligible to apply.



EMISSIONS AND POLLUTION REDUCTION PROGRAMS

- *Department of Energy Loan Guarantees*
 - Provides \$40 billion to the Department of Energy for loan guarantees for the Innovative Clean Energy Program.
 - Eligible projects include renewable energy systems, advanced fossil energy technologies, hydrogen fuel cell projects, and carbon capture and energy storage projects.
- *Temporary Loan Program for Energy Infrastructure*
 - Authorizes \$250 billion in loans or refinancing guarantees for energy infrastructure projects, which:
 - Retool, repower, repurpose, or replace energy infrastructure no longer operating, or
 - Enable existing energy infrastructure to avoid, reduce, utilize, or sequester air pollutants and greenhouse gas (GHG) emissions.



EMISSIONS AND POLLUTION REDUCTION PROGRAMS

- *Environmental Justice Block Grant Program*

- Establishes a \$3 billion Environmental Justice Block Grant at EPA.
- Grants will be awarded for a period of three years to carry out projects that benefit disadvantaged communities.
- Examples of eligible activities include but are not limited to:
 - Community-led air monitoring;
 - Investments in workforce development that help reduce greenhouse gas emissions
 - Mitigating climate and health risks from urban heat islands



TRANSPORTATION PROGRAMS

- *Clean Heavy Duty Vehicle Grant Program*

- Creates a \$1 billion EPA-administered rebate and grant program for state and local governments to replace Class 6 or 7 heavy-duty vehicles (including buses) with zero-emission vehicles.
- Also funds the purchase or installation of zero-emission charging infrastructure.
- \$600 million is available in FY 2022 to all eligible applicants.
- Another \$400 million is set aside in FY 2022 for the replacement of vehicles that serve one or more communities located in nonattainment areas.

- *Port Pollution Program*

- Creates a new Port Pollution Program at EPA to award grants and rebates to state and local governments with jurisdiction over a port or port authority to reduce pollution.
- The program is funded at \$3 billion for FY 2022.
 - \$750 million set aside for ports located in areas with poor air quality.



RESILIENCY, PUBLIC LANDS, AND CONSERVATION PROGRAMS

- ***Coastal Conservation Funding Program***
 - Provides funding to the National Oceanic and Atmospheric Administration (NOAA) to award grants and other financial assistance to state and local governments for conservation and restoration of coastal and marine habitats and resources.
 - \$2.6 billion is set aside for FY 2022.
- ***Landscape Scale Restoration Program***
 - Provides \$450 million to the U.S. Forest Service's Landscape Scale Restoration Program for non-federal forest landowners, including local government entities.
 - Eligible activities include climate mitigation and forest resilience activities.
- ***Urban Community and Forestry Program***
 - Provides \$2.2 billion for the Urban and Community Forestry Program for multi-year competitive grants to state agencies, local governments, and nonprofit organizations for tree planning and other related activities.
 - Local governments may need to partner with relevant state agencies.
- ***Funding for Bureau of Reclamation Water Supply Projects***
 - Provides \$550 million for grants to disadvantaged communities, as defined by the Bureau of Reclamation, in eligible states.
 - Covers up to 100 percent of the cost of the planning, design or construction of water projects to increase supply to communities or households without reliable access to water.



QUESTIONS?

John Anderson
Vice President
Washington, DC
703-209-8345



BIG FIRM CAPABILITY • SMALL FIRM ATTENTION • RESULTS YOU DESERVE