

Climate tech is positioned to uplift the economy during recession and beyond

Article

The news: The Inflation Reduction Act (IRA) is on the verge of propelling a booming climate tech economy.

- Research from **Credit Suisse** concluded that the **IRA will “have a profound effect across industries in the next decade and beyond,”** [per](#) The Atlantic.
- The researchers said the US Congressional Budget Office’s **\$374 billion government tax credit spending figure is a huge underestimate** and that the legislation’s lifetime investment will be closer to **\$800 billion** due to “uncapped” tax credits.
- They think the federal spending will invigorate [private sector investment](#), **injecting \$1.7 trillion into the greentech economy over the next 10 years.**
- **The US is “poised to become the world’s leading energy provider”** under the IRA, the researchers said.

A climate for investors, not do-gooders: The IRA’s [investment](#) marks a fundamental shift for the US economy. In past decades, addressing climate change was seen as a regulatory burden, but it’s now emerging as a massive business opportunity amid a global [energy crisis](#).

- The IRA’s dollars are slated to flow to the green economy in good economic times and bad, buoyed by the public’s rising concern about [heat waves](#) and other natural disasters linked to climate change.
- **Just as we’re seeing the tech industry [falter](#), climate tech stands out as a subsector that could see job growth during a potential recession.**
- It’s proving its resilience as VC funding keeps flowing to climate tech while it [dries up](#) in other areas.
- There’s already a trend of techies leaving Big Tech’s talent ranks to launch [startups](#) or work for organizations tackling climate change. It’s not just out of the goodness of their hearts—they’re following the money.

A spillover effect: We can expect that climate tech’s economic prowess will carry over to other areas.

- It’s already underway for the space tech industry that, despite less VC funding, still benefits from federal funding and is still hiring.
- **More importantly, space tech is integral to climate tech because it provides critical environmental monitoring via [satellites](#) and could trigger innovation and supply [minerals](#) for renewable energy technologies.**

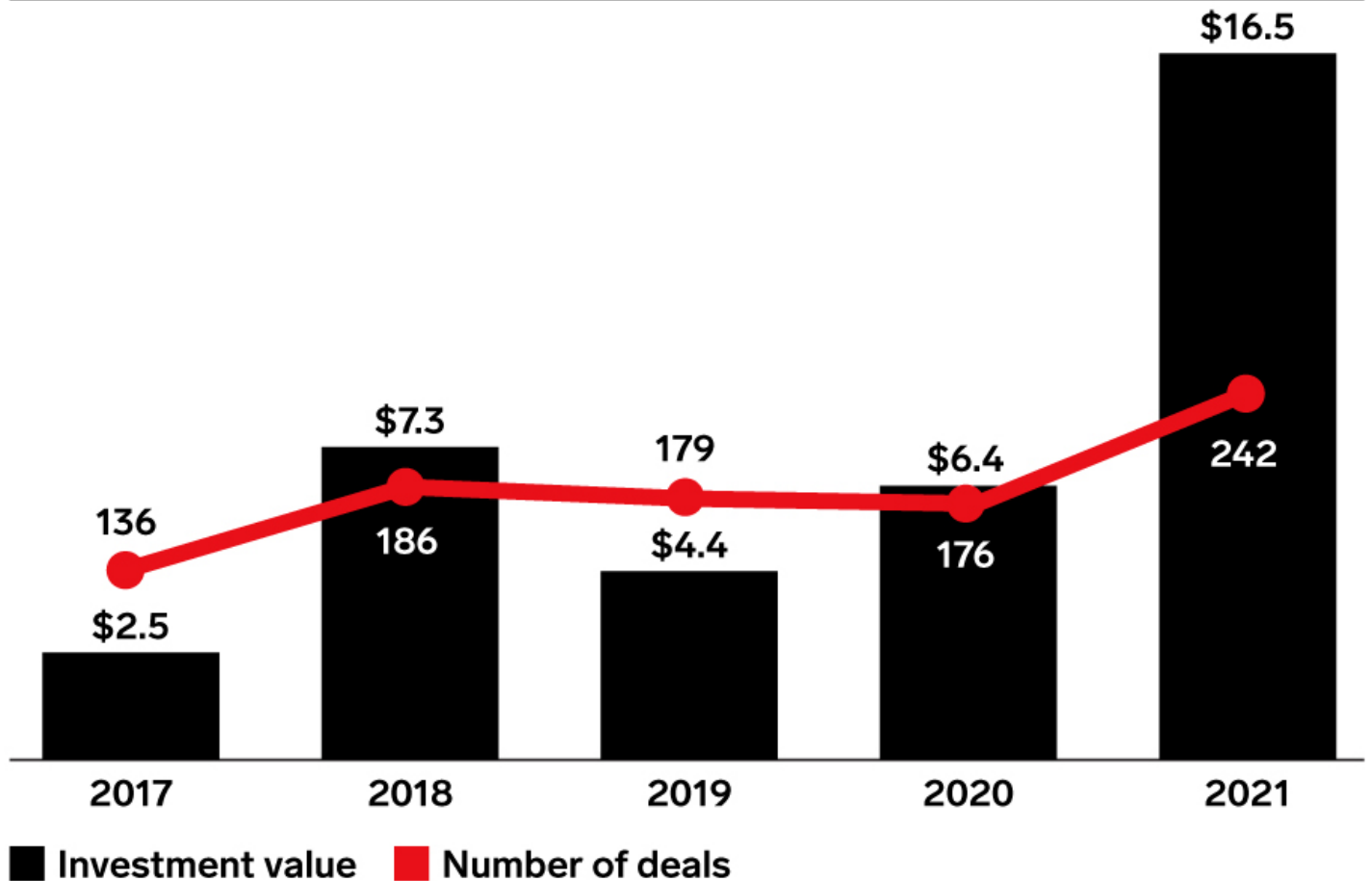
- Other areas, like AI and quantum computing, will likely play a critical role in climate modeling while **robotics could be used in field research in places like the Arctic.**

What's the catch? The investments need to provide tangible benefits to justify continued growth.

- Although a study found that renewable energy adoption could **save** trillions of dollars, the effectiveness of some emerging climate technologies in curbing climate change is uncertain.
- The **risk of greenwashing by companies likely means there'll be more regulatory scrutiny for the industry.**

US Venture Capital Investment Activity in Climate Tech, 2017-2022

billions and number of deals



Source: PitchBook, Feb 2022

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