

Inflation Reduction Act's National Green Bank and tax breaks are an economic lifeline

Article

The news: A provision of the Inflation Reduction Act (IRA) is slated to stimulate private sector investment in cleantech.

- Of the legislation's **\$369 billion**, **\$27 billion** will go toward a **Greenhouse Gas Reduction Fund** to launch a **National Green Bank**, [per](#) Fortune.
- The bank will partner with the private sector and lenders to invest in cleantech and energy efficiency.
- It's part of the government's record spending to address climate change, including **tax breaks for consumers that could total up to \$10,000**, [per](#) CNBC.
- Qualifying purchases include home energy upgrades like solar panels, heat pumps, water heaters, biomass stoves, and [EVs](#).
- The legislation is expected to **save consumers between \$170 to \$220 annually in electricity costs if they apply for and receive tax credits**.

In the nick of time: With soaring electricity prices taking a toll on US households, the funding could help slow the financial bleeding that's hurting our overall economy.

- **20 million US households are falling behind on their electric bills**, creating the worst crisis the National Energy Assistance Directors Association has ever seen, [per](#) Insider.
- **Nearly one-third of US households reduced spending on medicine and food to pay their energy bills**.
- This indicates a potential further blow to consumer spending, especially on discretionary goods, which could mean more economic contraction is ahead for tech and other industries.

A remedy for 'heatflation': Despite accusations that the Biden administration is using climate legislation masquerading as inflation reduction to score political points, the IRA will likely curb [inflation](#), just not quickly.

- As climate change is itself a driver of inflation in a concept called [heatflation](#), tackling climate change could bring prices down over the long haul.
- Greater energy efficiency should soften natural gas demand, driving down electricity prices.

Zooming out: The IRA's climate spending is a drop in the bucket compared with the estimated **\$131 trillion** needed by 2050 to just reduce, not eliminate, global warming, [according to](#) the International Renewable Energy Agency. For comparison, the global economic output in 2021 was **\$94 trillion**, [per](#) Visual Capitalist.

- The IRA has potential to represent the beginning of similar, more robust legislation.

- High-emission countries like the US and China bear more climate **responsibility** than others, but for legislation to have teeth, such spending needs to be mirrored globally.

Zooming in: Emissions reductions are at the heart of the IRA’s spending, but it’s light on funding for climate adaptation.

- In 2021 the US saw a record 20 weather or climate disasters, each causing at least **\$1 billion** in damages, **per** NOAA, underscoring the need for relief and adaptation measures.
- Investing in **carbon capture** technology innovation is essential to curbing damage caused by the already-elevated levels of carbon in the atmosphere.
- Nations that prioritize adaptation measures like flood control, urban cooling strategies, and wildfire hardening will have a better economic footing in years to come.

How Do US Adults Feel About the US Economy?

% of respondents, March 2022-May 2022

| | March 2022 | April 2022 | May 2022 |
|------------------------------------|------------|------------|----------|
| Current economic conditions | | | |
| Excellent | 2% | 2% | 1% |
| Good | 20% | 18% | 13% |
| Only fair | 35% | 38% | 39% |
| Poor | 44% | 42% | 46% |
| Economic outlook | | | |
| Getting better | 20% | 20% | 20% |
| Getting worse | 75% | 76% | 77% |

Source: Gallup as cited in company blog, May 31, 2022

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