

The Inflation Reduction Act delivers to American families

With passage of the IRA this month, Minnesotans can say good-bye to the tragic mismanagement of the global economy by successive administrations and look forward to a new reality.

By David Foster

Earlier this month, the Labor Energy Partnership, a joint effort of the national AFL-CIO and the Energy Futures initiative, released a statement from co-chairs Liz Shuler, president of the AFL-CIO and Dr. Ernest Moniz, former U.S. Secretary of Energy. “After careful analysis by the AFL-CIO/Energy Futures Initiative team, we conclude that the Inflation Reduction Act (IRA) is the single most significant step to address the multiple challenges we face on climate, job creation, inflationary pressures, energy security, and energy access,” read the statement.

As one of the authors of this research effort and a long-time Minnesotan, I want to provide more detail to this historic piece of legislation. Our modeling of the IRA has followed an intense year-long effort to model the jobs, gross domestic product impacts, inflation rates, and real per capita income effects of multiple paths to reach significant reductions in GHG levels. In each of these modeling exercises, we also required policies that would preserve jobs, particularly in energy intensive industries, and promote greater social equity.

In doing so, we modeled early versions of the House-passed Build Back Better, as well as multiple power sector scenarios, reliant on different mixes of renewables and battery storage, and others that retained significant amounts of coal and natural gas, using carbon capture and sequestration technology to reduce emissions. The good

news is that there are multiple technological pathways to get to net zero emissions by 2050 and solve our growing climate crisis. That’s good news since, in a federalist style of governance, with a diverse economy that relies on different forms of energy in different geographies, we will need to follow divergent pathways to get to the same destination. California’s road to net zero, relying on renewables, does not have to be West Virginia’s, relying on CCS and hydrogen.

But the really good news of our work is that the economic benefits of a well-planned and well-executed energy transition, as laid out in the IRA and the Infrastructure Investment and Jobs Act (IIJA), can create 1.5 million net additional jobs, lower household energy costs nationwide through efficiency measures, give Americans a more secure energy system, and help bring inflation under control.

It is of special importance to note the policy elements underlying these historic investments which will ensure that the quality of the jobs created exceed the status quo.

- The IRA incentivizes that manufacturing happens in our own country, raising tax incentives for new solar to 30% from 6% if the panels are assembled here.

- It ensures that low-income communities are being invested in with electric vehicle (EV) infrastructure, that second-hand electric vehicles get a tax break, and that income limits are placed on EV rebates.
- The IRA requires that steel used in projects must be domestically manufactured.
- It requires that prevailing wages are paid on all construction projects and readily accessible apprenticeships are used on federally financed construction sites.
- Consumers are rewarded for patronizing domestic production of the energy-saving products they purchase.
- It supports the domestic processing of minerals for use in battery manufacture, addressing the moral conundrum of children mining cobalt in the Democratic Republic of the Congo for U.S. electric vehicles.

We modeled all these provisions and they, collectively, are what will help us turn the corner and make this energy transition the exact opposite of the 1990's globalization transition that stripped millions of well-paying, unionized jobs out of midwestern communities and relocated them to Mexico through the North American Free Trade Agreement and subsequently in the 2000's, repeating that tragedy with the "China shock" which followed China's entry into the World Trade Organization, and resulted in the loss of another 3 million manufacturing jobs.

With passage of the IRA this month, Minnesotans can say good-bye to the tragic mismanagement of the global economy by successive administrations and look forward to a new reality where the architecture of our clean energy future looks first to the community benefits it must supply to everyday Americans if it wants their support.

We are finally rejecting the race to the bottom, locking arms, and climbing the clean energy mountain together.

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