JUST SOLUTIONS

Equity and Environmental Justice in Federal Implementation of IIJA/IRA

Wednesday, April 12, 2023

About Just Solutions

Just Solutions identifies and promotes just solutions to climate change from Black, Latinx, Asian, Indigenous, and Frontline diasporas.

We are broadening and deepening the understanding of equitable and effective policies and projects, and are fostering a national community of peer learning for Black, Latinx, Asian, Indigenous, and frontline community-based organizations to elevate their solutions and replicate them across the country.

IRA Overview

What's in the Inflation Reduction Act?

- **$324 billion in tax credits**
- **$228 billion in appropriations**
- **For environmental and climate only:**
  - $271 billion in tax credits
  - $145 billion in appropriations
- Reauthorizations for
  - Superfund: $12 billion
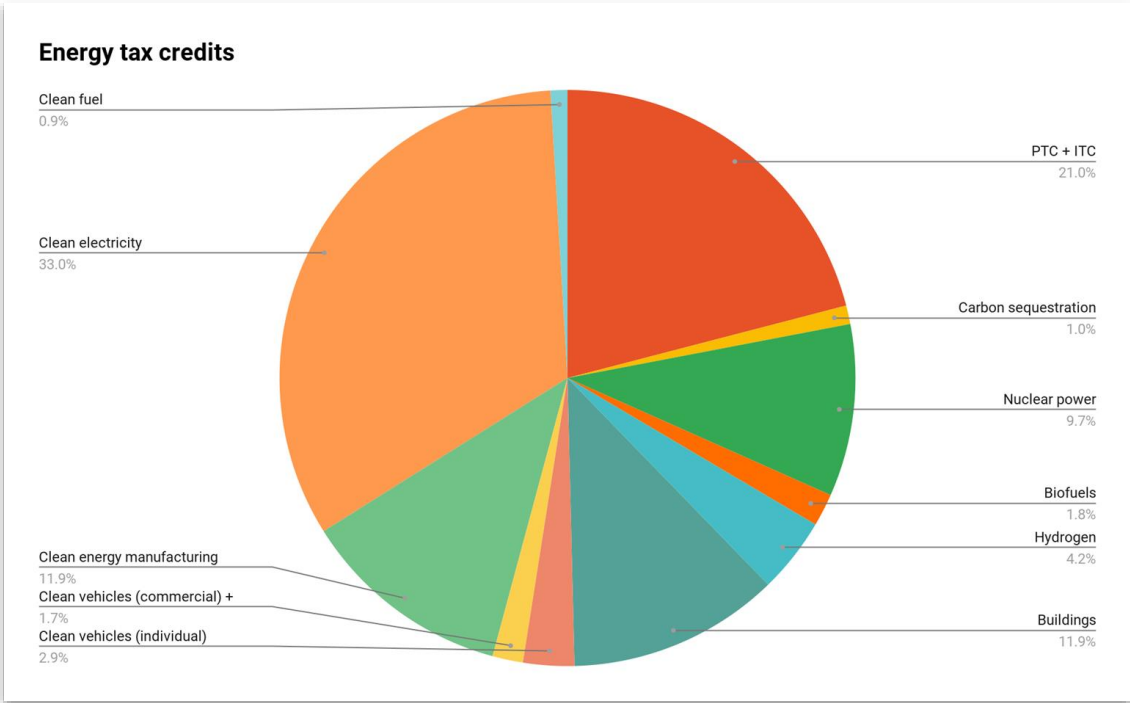 - Black Lung Disability Trust Fund: $1 billion
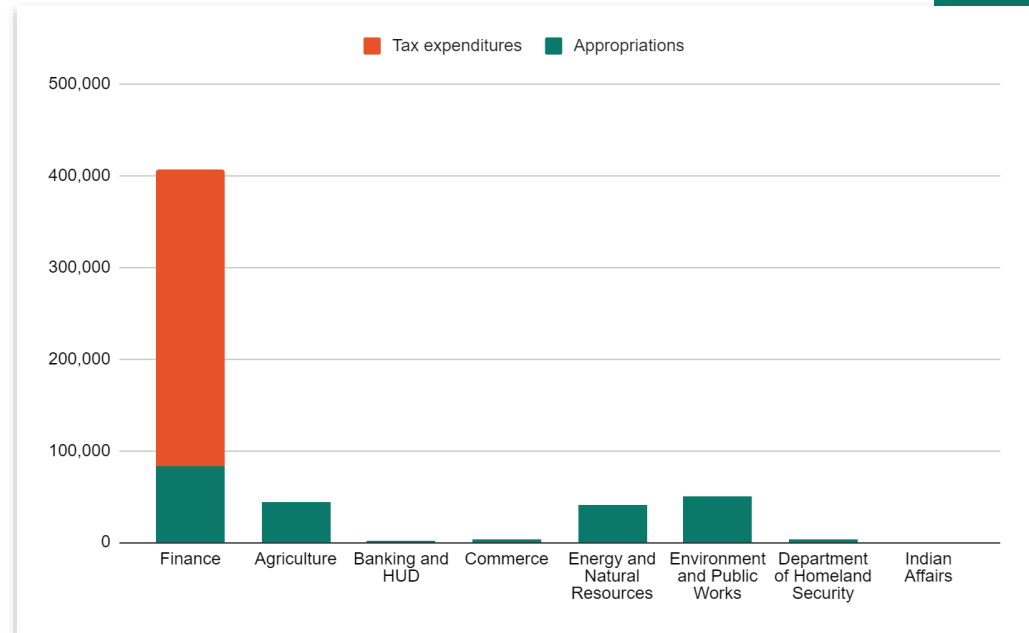
Defining "low income" and "disadvantaged communities"

- "Disadvantaged" = environmental justice communities (usually)
- No uniform definitions across IRA; definitions vary across programs
- Some programs specify definitions in statutory text, others don't

	Home Efficiency Rebates	Home Electrification Rebates
Low- or moderate-income	<80% AMI	<150% AMI
Disadvantaged community	"Community that [DOE] determines, based on appropriate data, indices, and screening tools, is economically, socially, or environmentally disadvantaged"	N/A

Energy Tax Credits

Tax credits are primarily for electricity

Energy tax credits

- Clean fuel — 0.9%
- Clean electricity — 33.0%
- Clean energy manufacturing — 11.9%
- Clean vehicles (commercial) + — 1.7%
- Clean vehicles (individual) — 2.9%
- PTC + ITC — 21.0%
- Carbon sequestration — 1.0%
- Nuclear power — 9.7%
- Biofuels — 1.8%
- Hydrogen — 4.2%
- Buildings — 11.9%

Tax credits are primarily for commercial use

Tax credits: Commercial vs. Individual

Individual
14.0%

Commercial
86.0%
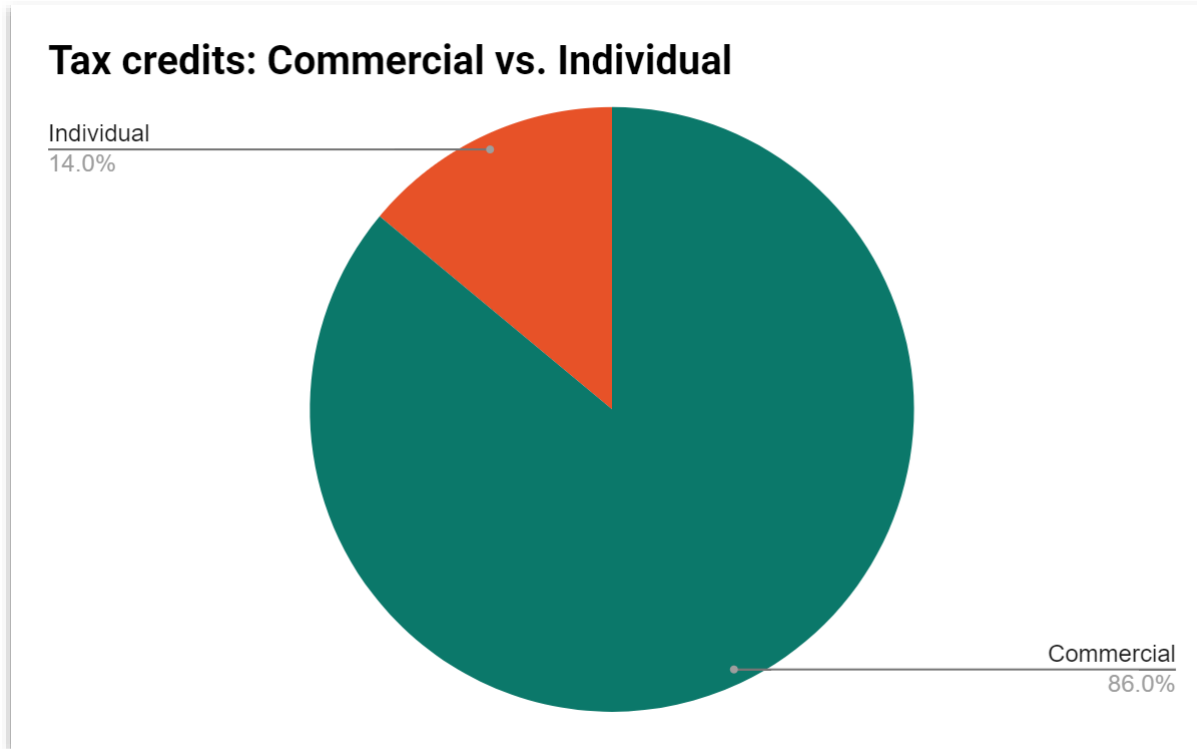
Individual tax credits primarily benefit the rich

- Approx. 40% of households pay no federal income tax
  - **No tax liability, no credit**
- Approx. 33% of households rent
- Residential energy (25C) credits
  - 60% → top 20%
  - 11% → bottom 60%
- Plug-in EV (30D) credits
  - 89% → top 20%
  - 1% → bottom 60%

Table 2: Distributional Effects of Selected Tax Credits

	Percent of Credit Received by Income Category (in thousands)						Concentration Index
	$0–$10	$10–$20	$20–$40	$40–$75	$75–$200	$200+	
Panel A. Clean Energy Tax Credits							
Residential Energy Credits	0%	1%	10%	28%	48%	14%	0.606
Alternative Motor Vehicle Credit	0%	1%	9%	32%	47%	11%	0.584
Plug-in Electric Drive Vehicle Credit	0%	0%	1%	10%	54%	35%	0.801
Panel B. Other Major Tax Credits							
Earned Income Tax Credit	18%	49%	32%	1%	0%	0%	−0.415
Making Work Pay Credit	7%	14%	25%	28%	26%	0%	0.163
Child Tax Credit	2%	13%	31%	31%	23%	0%	0.185
First-time Home Buyer Credit	7%	6%	23%	40%	24%	1%	0.222
Foreign Tax Credit	0%	0%	1%	2%	9%	88%	0.954

Note: This table was constructed by the authors using U.S. Department of the Treasury, Internal Revenue Service, "Statistics of Income, Individual Tax Returns," 2005–2012. The first five income categories are approximate quintiles (18%, 17%, 24%, 21%, 18%), and 3% of tax returns fall in the last category. Residential energy credits includes both the NEPC and the REEPC. The Earned Income Tax Credit, Making Work Pay Credit, Child Tax Credit, and the First-Time Home Buyer Credit are all refundable, while the Foreign Tax Credit is not. See Appendix A for details.

Low-Income Communities Bonus Credit

- 1.8 GW annual capacity limitation
- **+10%**:
  - Low-income community: Census tract with 80% AMI (or statewide median income) or 20% poverty rate; or
  - Located on Indian land
- **+20%**:
  - Qualified Low-Income Residential Building Project:
    - Facility installed on a residential rental building which participates in a Federally-assisted affordable housing program; and
    - **Financial benefits** of electricity produced by the facility are allocated **equitably** among occupants of dwelling units of the building
  - Qualified Low-Income Economic Benefit Project:
    - At least 50% of **financial benefits** of electricity produced by facility are provided to households with income <200% federal poverty line or 80% AMI
- Will Treasury require all projects sited in low-income communities or on Indian land to provide (financial) benefits to the local community?
- How will Treasury define "financial benefits"? What does equitable allocation mean?

Other Programs with Opportunities for Equity

Greenhouse Gas Reduction Fund (GGRF)

$27 billion in competitive funding for *financial* and *technical* assistance for projects that reduce/avoid GHGs and air pollutants

- <u>Zero Emissions Technologies (ZET)</u>
  - $7B for States, municipalities, Tribal governments, and eligible recipients to enable low-income and disadvantaged communities to deploy or <u>*benefit from*</u> ZETs
  - Residential rooftop solar, community solar, storage, <u>*and related upgrades*</u> in low-income and disadvantaged communities
  - **Awards**: up to 60 awardees
- <u>General and Low-Income Assistance</u>
  - $11.97B for eligible recipients to provide general assistance
  - $8B for eligible entities to provide assistance to projects <u>*in*</u> low-income and disadvantaged communities
  - Projects that reduce air pollution, greenhouse gas emissions, energy costs
  - **Awards**: 2-15 awardees
- **Timeline**: Applications in early Summer 2023; awards obligated by September 30, 2024
- Opportunity to address gaps (renters) and invest resources in CBOs

Home Energy Rebates

$8.8 billion for two different rebate programs, both to be administered by states

- State allocation amounts determined by formula
- Home Efficiency
  - Whole-home energy saving retrofits
  - Amounts based on energy savings (measured/modeled)
  - States *may* increase rebate amounts for LMI households
- Home Electrification
  - Replace gas appliances with high-efficiency electric
  - Amounts specified for type of appliance or other expenditure (wiring, ventilation, etc.)
  - Rebates apply at point-of-sale
  - Limited to LMI households
- **Questions**
  - Will 40% of benefits go to households in disadvantaged communities?
  - Will there be a carveout for multifamily affordable housing?
  - Will rebate-assisted upgrades result in displacement/gentrification?
  - Will this constitute a "federal public benefit" that is not accessible to certain kinds of immigrants?

IIJA: Various grid-related programs

Over $16 billion for states, local governments, utilities, developers, and grid operators

- Reduce the likelihood and consequences of disruptive events (wildfire, extreme weather)
- Demonstration projects related to reliability and resilience
- Assess what's needed to create an inventory of high-voltage recovery transformers
- Improve energy resilience, safety, reliability, and availability in rural and remote areas and environmental protection from adverse impacts of energy generation
  - Overall cost-effectiveness of energy generation, transmission, and distribution;
  - Siting or upgrading transmission and distribution lines;
  - Reducing GHGs from energy generation in rural or remote areas;
  - Providing or modernizing electric generation facilities;
  - Developing microgrids; and
  - Increasing energy efficiency.
- **Questions**
  - How will this affect energy affordability, especially for households with high energy burden?
  - Will this address the needs of the most vulnerable households and communities?

Program Design for Equity

Program and Policy Design Elements that Support Equity

- **Compensate Community-Based Organizations** (CBOs) for their expertise and services
  - Program administration
  - Community engagement and outreach
- **Define benefits and priorities** based on community engagement
- **Community engagement** must be accessible, culturally competent, provide language access, etc.
- Program information must be **transparent and accessible**
- Provide **capacity-building technical assistance** to CBOs
- **Prioritization** of projects/recipients/beneficiaries
- Ensure **accountability** to impacted communities
- Apply **safeguards** to address potential harms (e.g. tenant protections; prohibit projects that will worsen pollution burdens)

Thank you!

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Send questions to sylvia@justsolutionscollective.org

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