ENERGY INNOVATION
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Federal Standards and State Support Necessary for Inflation Reduction Act's Buildings Benefits

IRA CREATES FOUNDATIONAL SUPPORT FOR THE CLEAN BUILDINGS TRANSITION

The Inflation Reduction Act's (IRA) historic climate and clean energy investments will help cut United States greenhouse gas (GHG) emissions roughly 40 percent by 2030. The incentives for residential, commercial, and federal buildings will catalyze the building sector decarbonization movement, reduce energy bills, and spur demand for efficient electric appliances and equipment.

Energy Innovation Policy & Analysis LLC® modeling shows that the IRA clean energy provisions can save households $80 annually in 2030 and stimulate 1.2 to 1.3 million net new jobs in 2030. But slow stock turnover of fossil fuel building equipment and appliances means additional federal, state, and local actions are needed to reduce building sector emissions to achieve climate stability. For example, the U.S. needs more stringent appliance standards favoring all-electric highly efficient equipment, in addition to IRA building sector incentives.

Fortunately, the IRA's suite of incentives lay an important foundation to support the decarbonization of different buildings with different ownership models, and across all income-levels.

- Incentives and tax credits targeting low- to moderate-income (LMI) households, multifamily buildings, and underserved communities will provide much-needed relief from high fossil fuel prices and reduce energy burdens—incentives for LMI households will cover between 80 and 100 percent of project costs for whole-home efficiency and electrification measures.
- IRA contractor and builder incentives signal the industry's vital role decarbonizing buildings and the importance of a well-trained and qualified workforce to ensure customer confidence in new building technologies. Contractors can receive $200 to $500 for efficiency and electrification installations, and developer incentives include prevailing wage bonuses.

Going forward, state, local, and Tribal governments should move quickly to deploy these funds and help more consumers and businesses save money, while also reducing GHGs at the pace required for a safe climate future.

IRA PROVISIONS FOR RESIDENTIAL AND COMMERCIAL BUILDINGS

The IRA includes rebates and tax credits for an array of building types to support the adoption of efficiency measures, electrification, and distributed energy resources, as well as funding for building codes. Key provisions include:

- **Latest and Zero Building Energy Code Adoption:** $1 billion for state and local adoption and enforcement of high-efficiency and zero-emissions building codes.
- **Commercial Building Energy Efficiency Tax Deduction:** $2.50 to $5.00 per square foot for upgrades that meet 20 to 50 percent energy savings and prevailing wage requirements.

- **High-Performance Green Federal Buildings**: $25 million for zero-emissions technologies in government buildings, and $2.15 billion for low-carbon building materials in federal construction.
- **Tribal Electrification Program:** $145 million for grid connectivity and zero-energy upgrades for Tribal homes.
- **Residential Incentives:** Nearly $9.9 billion for high-efficiency, electric residential buildings plus tax incentives for distributed clean energy technologies and energy efficiency (summarized in the table).

Provision (Funding Amount, $)	Incentive Type	Incentive Value	Labor Incentives	LMI-Targeted
High-Efficiency Electric Home Rebates ($4.5B)	State Rebate (available at Point-of-Sale)	Up to $14,000 per household (varies by technology)	$500 contractor incentive	LMI-only eligibility
Home Energy Performance-Based Whole-House Rebates ($4.3B)	State Rebate	$2,000 to $8,000 per dwelling unit	$200 per install in disadvantaged community	Increased rebate value for LMI households
Energy Efficient Home Improvement Credit (25C)	Federal Tax Credit	$1,200/year + $2,000 for heat pumps	No	No
Residential Clean Energy Credit (25D)	Federal Tax Credit	Up to 30 percent of project costs	No	No
New Energy Efficient Home Credit (45L)	Federal Tax Credit	$2,500 to $5,000 per dwelling unit	5x credit increase for prevailing wages	No

STATE, LOCAL, AND TRIBAL GOVERNMENTS ARE KEY TO SUCCESSFUL IMPLEMENTATION

- **State energy offices (SEOs) and Tribal governments (TGs) should prepare for the influx of funding by adding capacity and engaging with community stakeholders** to run successful rebate programs that enable swift and easy allocation of funds. SEOs and TGs should also coordinate with other state entities offering energy efficiency and electrification incentives to clarify which incentives can be combined to cover different upgrades.
- **State and local governments should leverage IRA funds to adopt high-efficiency and zero-emissions building codes** that improve air quality and building resilience.
- **State utility regulators should require utilities to update their system planning assumptions, investment priorities, and rate designs** to reflect changes in building energy consumption. They should also direct utilities to evaluate how existing efficiency and electrification incentives could be restructured to better complement IRA incentives and optimize the cost-effectiveness of their programs.
- **States and local governments should support statewide workforce efforts for contractors and builders**, and provide guidance and oversight on prevailing wage and apprenticeship provisions.
- **SEOs and TGs should help all consumers understand the steps and costs** associated with high-efficiency electric appliance upgrades, home weatherization, and whole-home energy performance upgrades.