

HOW REPEALING THE INFLATION REDUCTION ACT WOULD HARM THE ECONOMY

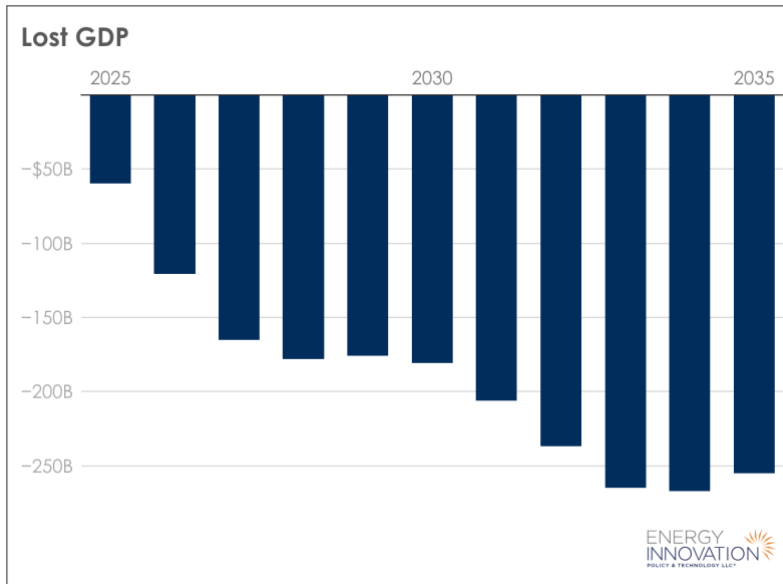
The Inflation Reduction Act (IRA), passed in 2022, marks the most significant federal legislation on climate and clean energy in United States history. Since its enactment, the IRA has propelled total clean investments to more than [\\$520 billion](#) and created more than [334,000 new jobs](#).¹ Repealing all or parts of the IRA could put these and additional projected investments at risk, undercutting economic growth, eliminating jobs, and costing consumers money.

Energy Innovation used its open-source, peer-reviewed [Energy Policy Simulator](#) to analyze the potential economic, employment, and other effects of repealing the Inflation Reduction Act. This analysis compares the difference between a Current Policies scenario that includes all current legislation and regulations and an IRA Repeal scenario that removes IRA tax credits and other programs starting in 2025. This differs from our previous, [The Second Half of the Decisive Decade](#) research, which analyzed the entirety of the climate and energy related proposals in [Project 2025's](#) recommendations; this analysis instead focuses on the impacts of eliminating the Inflation Reduction Act.

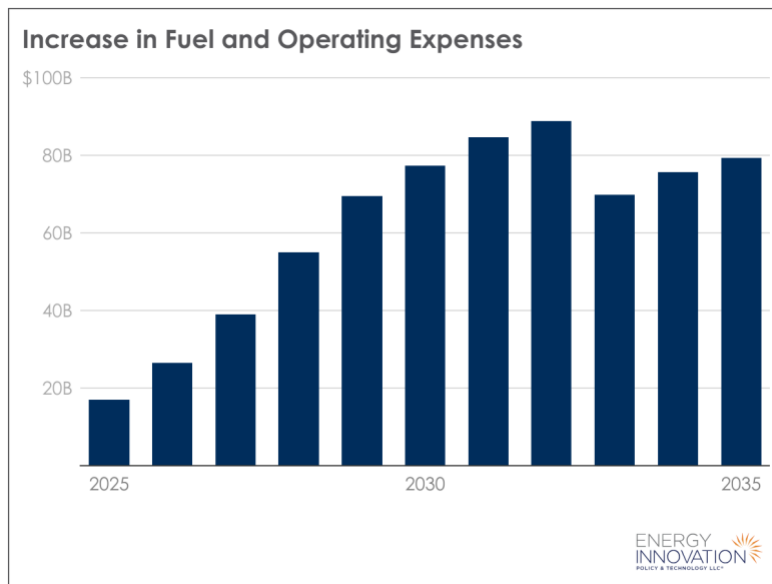
Repealing the Inflation Reduction Act Would Hurt the Economy, Jobs, and Consumers

Tax credits for clean energy technologies have already spurred significant investment in domestic manufacturing, with [\\$1 in every \\$4](#) of clean investment in Q2 2024 directed to manufacturing. Under an IRA repeal scenario, we find decreased clean investments lead to the GDP falling by \$180 billion in 2030 and \$250 billion in 2035, compared to the Current Policies case. This is largely driven by less clean energy manufacturing and construction projects.

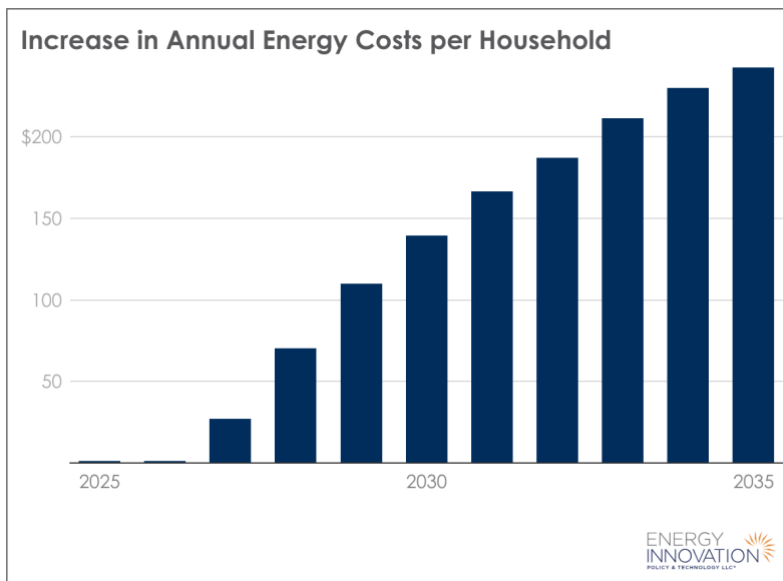
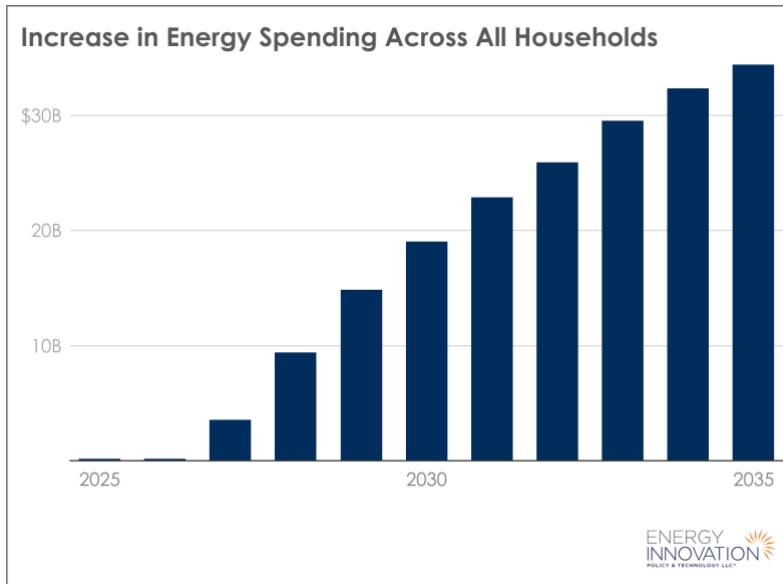
¹ As of August 2024



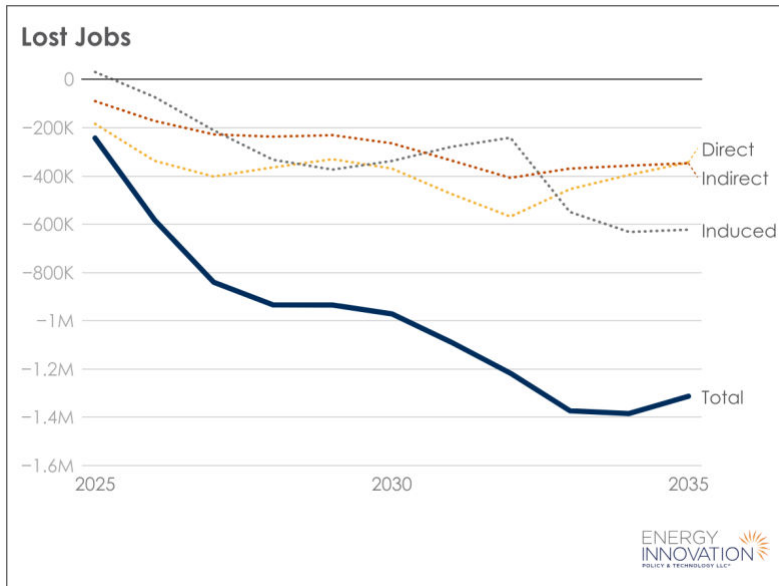
The IRA Repeal scenario results in fewer investments and increases fuel and operating expenses. Wind and solar have no fuel costs and lower operation and maintenance (O&M) costs than fossil fuel power plants, meaning the IRA Repeal scenario, which increases the share of electricity coming from fossil fuel power plants, results in roughly \$80 billion in additional fuel and O&M costs in 2030 and 2035 compared to the Current Policies scenario.



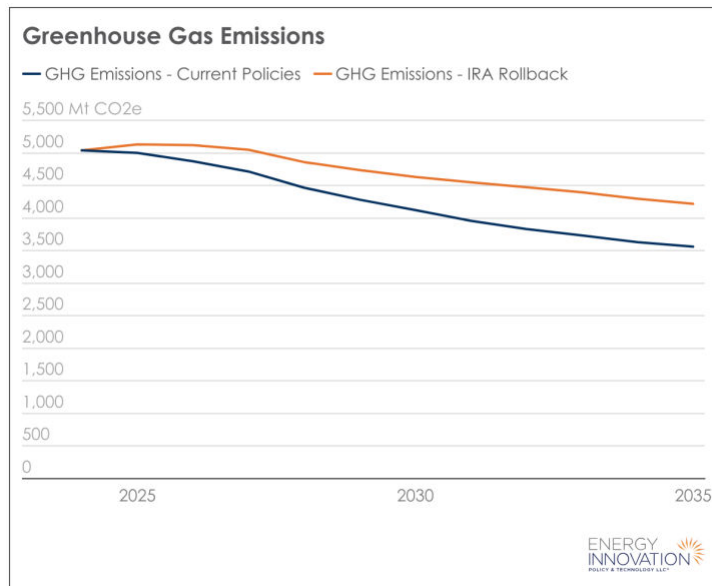
Higher fuel and operating expenses along with the loss of clean electricity tax credits also lead to higher electricity costs for consumers, since the IRA Repeal scenario results in higher total (capital plus operational) costs for utilities. In addition, the loss of tax credits for zero-emission vehicles (ZEVs) leads to higher fuel expenditures in the transportation sector, as [ZEVs are cheaper to drive per mile](#) compared to their internal combustion engine counterparts. Together, these effects lead to nearly \$20 billion in increased energy spending across all households annually in 2030, growing to roughly \$35 billion in 2035. On a per household basis, that's equivalent to \$140 in additional annual fuel costs in 2030, and more than \$240 in 2035.



The economic impact also extends to jobs, where we find almost one million fewer jobs compared to business as usual in 2030, and 1.3 million fewer jobs in 2035. This includes the loss of direct and indirect jobs from decreased investments in clean energy projects, as well as the loss of jobs from induced economic activity (i.e., high fuel costs mean consumers have less money to re-spend in the economy).



Repealing the IRA would also increase climate pollution, especially in the electricity sector. We find that emissions would be 510 million metric tons of CO₂ equivalent (MMT CO₂e) higher in 2030, rising to 660 MMT CO₂e higher in 2035. By 2035, that is the equivalent of adding 143 million cars to the road. Higher air pollution would also harm public health, leading to 1,200 additional premature deaths annually by 2030.



Methodology

The Current Policies scenario includes the IRA, the Infrastructure Investment and Jobs Act (IIJA) and the CHIPS and Science Act, as well as finalized rules from the U.S. Environmental Protection Agency including oil and gas methane standards; tailpipe CO₂ standards for light-, medium-, and heavy-duty vehicles; and power plant CO₂ standards. It also includes any state-level renewable portfolio or clean energy standards, state carbon pricing schemes, and adoption of Advanced Clean Cars I and II and Advanced Clean Trucks.

The IRA repeal scenario reverses all IRA tax credits and rescinds funding for all other IRA programs starting in

2025. It does not reflect changes in the share of technologies that are produced domestically after an IRA repeal, meaning our estimates are likely conservative and impacts are likely greater than reported.

For more information on how we modeled IRA tax credit and other IRA provisions, [see Appendix B](#) in our report *The Second Half of the Decisive Decade*. Model settings for this analysis are also available on request. Documentation on the EPS model architecture and methodology can be found on [Energy Innovation's website](#).