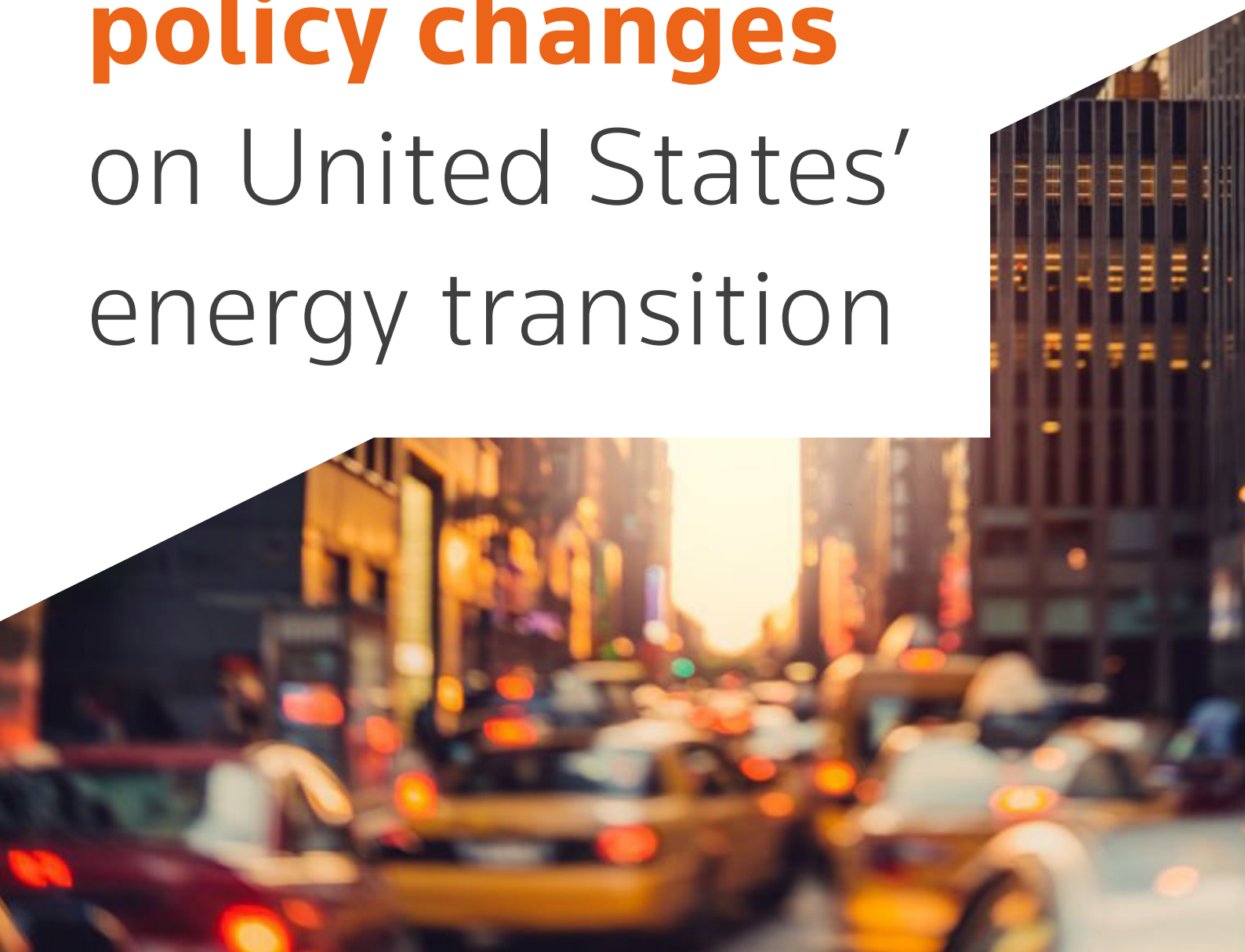


REUTERS EVENTS™

The impact of  
**policy changes**  
on United States'  
energy transition





## Executive summary

When Congress passed last year's Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Bill, the stage was set for a very different future in terms of how the United States viewed its responsibility to climate change. With historic investment in clean energy transmission, the first ever network of electric vehicle (EV) chargers and internet for every citizen, this \$1.2 trillion bill unlocked a country-wide upgrade like no other.

Addressing climate-related concerns head on, it includes improvements to roads and bridges, investment in public transport, the removal of all lead pipes, clean drinking water for all, the modernization of airports, ports and waterways—and more jobs. However, President Biden's proposed \$1.75 trillion social spending and climate mitigation Build Back Better (BBB) bill did not fare so well after it stalled in the U.S Senate last November.

Negotiations are continuing, with the president remaining hopeful that it can become law, albeit with changes. "I'm confident we can get pieces, big chunks of the Build Back Better law signed into law," said President Biden in January.<sup>i</sup>

As debate continues about the impact of these hefty packages, this legislative push has put energy transition at the center of policy. With or without the Build Back Better bill, what has become clear is that there has been a sea change in terms of how government and industry approach issues of clean energy, net-zero emissions policies and decarbonization plans for the next 30 years and beyond.

With far-reaching ramifications, what will be the impact of these bills on businesses? And as the United States rebuilds and aims for net zero, this paper looks at what the bills mean, their ripple effect and how industry should strategize. These issues and more will be addressed at Reuters Events' Energy Transition North America. The Houston-based conference will unite chief executives and changemakers from across the energy, industrial and government ecosystems to shed light on these defining issues.



## The Bipartisan Infrastructure Bill

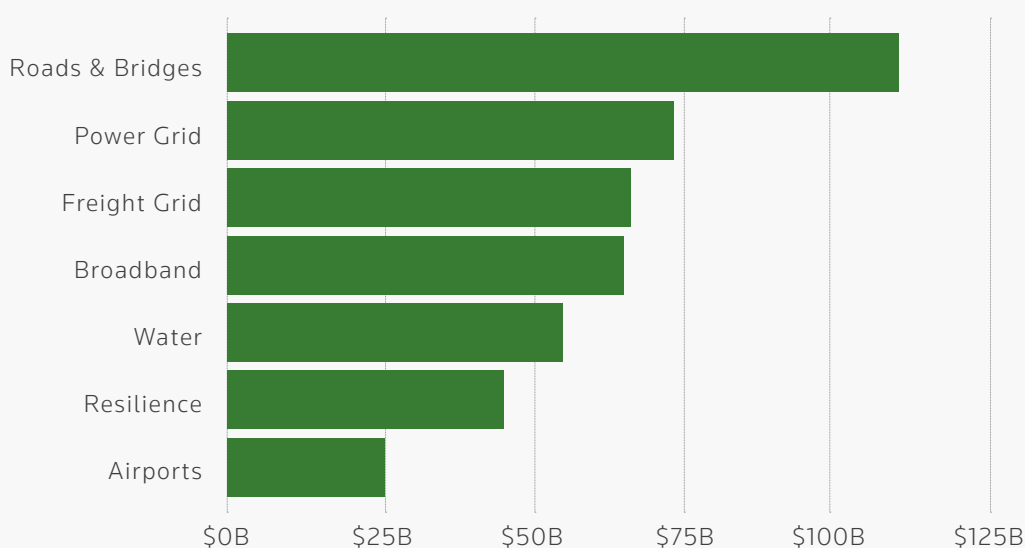
In November 2021, the U.S. House of Representatives passed a bipartisan \$1.2 trillion infrastructure bill as part of President Biden's election promise to tackle climate change.<sup>ii</sup> Headline issues included a \$65 billion investment in clean energy transmission and the electric grid, the promise of an EV network including clean school buses, plus major federal investments to power, water and the internet, as well as airports, roads and waterways.

It was signed into law on November 15, 2021. The White House said the bill will "rebuild America's roads, bridges and rails, expand access to clean drinking water, ensure every American has access to high-speed internet, tackle the climate crisis, advance environmental justice, and invest in communities that have too often been left behind."<sup>iii</sup>

The legislation will also "help ease inflationary pressures and strengthen supply chains by making long overdue improvements for our nation's ports, airports, rail and roads," said the White House.

It should be noted that \$550 million of the bill is new spending. Naturally, there were compromises. Missing from the final draft was the Clean Energy Standard, which would have forced power companies to increase their production of clean energy.<sup>iv</sup> This would have required utilities to up the amount of clean energy they use through a system of incentives and penalties. Without this section, industry now gets a little fluidity in terms of moving forward with clean energy planning.

### Infrastructure bill breakdown



Source: ForConstructionPros.com.<sup>v</sup>

**\$1.2T**

In total  
spending  
over eight  
years







## Long-term thinking required

While some were disappointed with the bill,<sup>vi</sup> this history-making roadmap lays out the future of the country in shiny new terms. The move towards decarbonization, particularly in hard-to-abate industries, will be driven by the funding of wind farms, solar plants and microgrids.<sup>vii</sup> The IIJA will also invest \$21 billion to clean up superfund and brownfield sites, reclaim abandoned mine land and cap orphaned oil and gas wells.

The bill paves the way for the EV market to vastly expand. Numbers from the Department of Energy show that there are already more than 43,600 EV charging

stations in the United States,<sup>viii</sup> but with \$7.5 billion set aside for investment this level is set to increase dramatically. Bala Vinayagam, senior vice president of the microgrid line of business at Schneider Electric, says the bill could lead to a change in attitudes to infrastructure design. "We cannot build things like we did in the past," he says.

"We need infrastructure that is more resilient, more efficient and decarbonized by design. Infrastructure that is fully electrified and digitized from the beginning is the only way to accelerate and achieve our sustainability goals."



# The Build Back Better Bill

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The domestic and climate change-focused Build Back Better bill included a \$55 billion allocation for clean energy and climate investments.<sup>ix</sup> According to the White House, it aimed to “create millions of good-paying jobs, enable more Americans to join and remain in the labor force, spur long-term growth, reduce price pressures and set the United States on course to meet its clean energy ambitions.”<sup>x</sup>

However, it is currently on life support, or least being cut into more digestible pieces. The bill didn't pass because it was always walking a tightrope with any one senator able to derail it. Ultimately, conservative Democrat Senator Joe Manchin said he was unable to vote for it because of his concerns about the pandemic and rising inflation.<sup>xi</sup>







## The future of BBB

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Negotiations around the BBB continue, and the president has signaled that it may be passed in pieces. Some of the tax proposals are still on the table. Proposed legislation covered tax proposals which included extending the timeline for current production and investment tax credits. The bill's Section 6417 on a direct pay mechanism to complement tax credits, meanwhile, would have benefited carbon capture and sequestration, alternative vehicle fuels, advanced manufacturing, zero-emission nuclear power, clean energy and hydrogen.<sup>xii</sup>

In January, President Biden hosted 10 CEOs, including those of General Motors, Microsoft and Siemens, at the White House to discuss the way forward. "I think we can break the package up, get as much as we can now and come back and fight for the rest of it," he said.<sup>xiii</sup>

At this stage, and with momentum somewhat on the backburner as world issues take precedent, the jury is out on when, and if, a slimmed-down bill will come into law.

## The impact of the regulatory changes

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With much work to do, it would be churlish to underestimate the immediate impact of the Infrastructure Bill as a standalone piece of legislation, even without the Build Back Bill to complement it. Mike Speerschneider, development partner at Exus Management, an investment and asset management firm focused on the renewable energy sector, says the best thing the renewables industry could hope for is a more consistent policy to encourage growth.

"Having government tax incentives or policy that supports the energy sector is essential," Speerschneider says. "It needs to be consistent and long term."

However, inflation is on the rise<sup>xiv</sup> and the political situation internationally is uncertain, making the situation more precarious. Any incentives will be positive. "It's why the push to get direct pay for Build Back Better is there," says Speerschneider. "Not only is there a scarcity issue, there's the question of being able to do deals more efficiently. Doing something like a direct pay just brings more potential investors into the tent."

"That can only help the industry."







## The consequences of both bills

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Drivers for the energy transition across the United States include the effects of climate change seen in recent years, including wildfires in California, flooding in the south and record heatwaves across the country. In 2021, the [United States rejoined the Paris](#) and pledged to reduce net greenhouse gas emissions by up to 52 percent by 2030.<sup>xv</sup> The United States also launched the [Global Methane Pledge](#) to reduce methane emissions 30 percent by 2030.<sup>xvi</sup>

However, the failure to get BBB over the line was met with disappointment from those who campaigned for green issues. Gregory Wetstone, President and CEO of the American Council on Renewable Energy, says "This is not over. The clean energy tax platform and grid infrastructure provisions in the Build Back Better Act are our last, best chance to tackle climate change.

"We will be working with Congress to find a way forward and deliver the clean energy future Americans want and deserve. Failure is not an option."

While this is a watch-this-space scenario, there is no time to waste when it comes to making the most of what has been put in place with the IIJA. "Federal and state agencies will be looking for partners that are ready and able to fulfill the objectives of these new programs," says Vinayagam.

"Fortunately, there are great opportunities to make immediate progress in several areas, including retrofitting public buildings and electrifying our transportation sector."

With the current situation in the balance, Vinayagam thinks clever businesses will start investing now in green energy and the technology required to set themselves up for decarbonization. "It's unclear as to whether parts of the BBB will be revived soon, but businesses themselves can't wait for congress to make a decision," says Vinayagam.

"The future is coming whether they like it or not."





## Outlook and conclusions

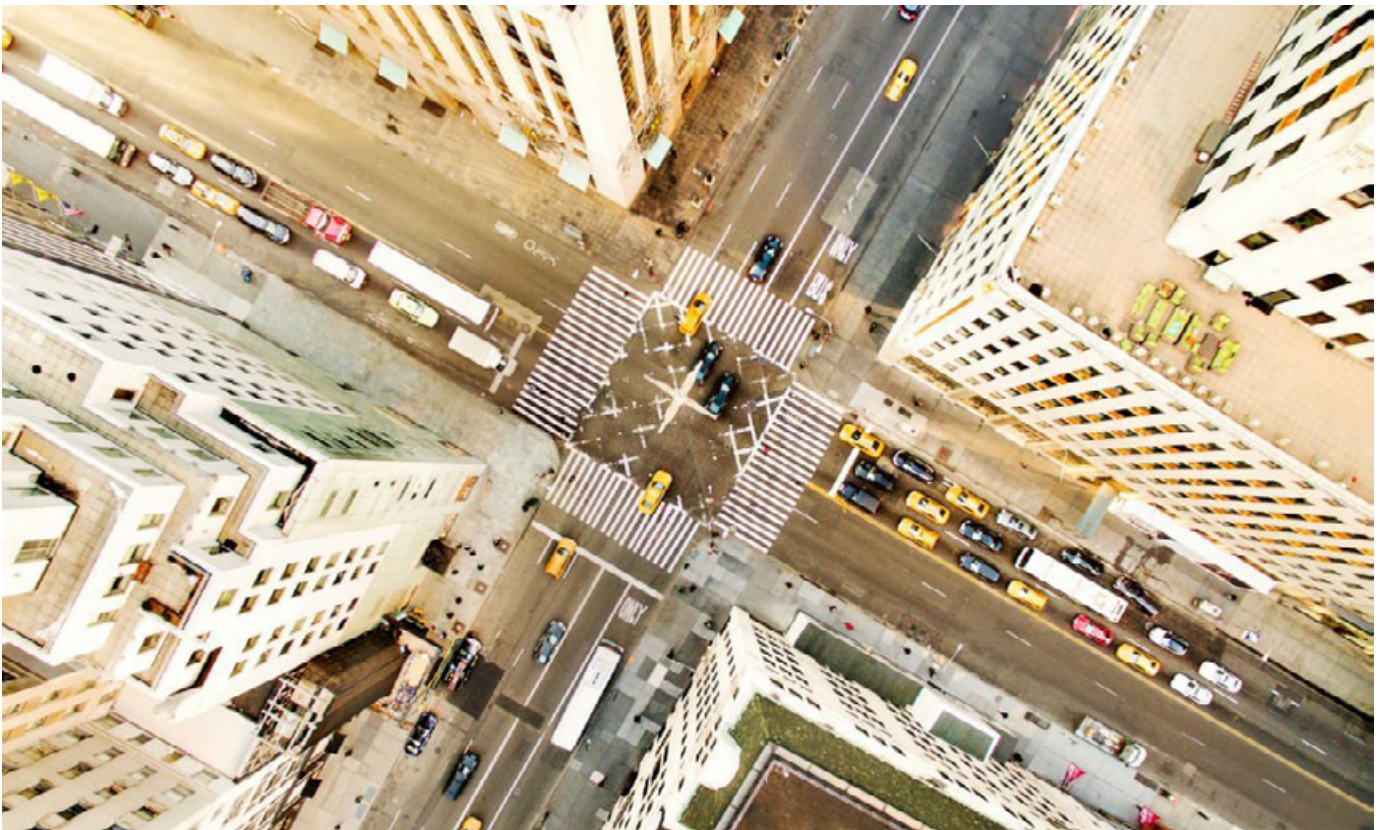
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With Federal Departments under the gun to implement the IIJA, it is now up to those at state and county level to start the wheels turning. This is set to unleash a much-needed spending spree. The American Society of Civil Engineers publishes an infrastructure report card every four years, and the last one, in 2021, rated the nation as a C-.<sup>xvii</sup>

So, who gets what from the legislation so far? The White House has set out its numbers and states receiving top funding include California, Texas and New York. Each

is getting more than \$25 billion. However, the biggest impact, proportionately, will be in states such as Alaska (with \$6,700 in funding per capita), Wyoming (\$4,400) and Montana and Vermont (\$3,500 each).<sup>xviii</sup>

Jerome Zeringue, who chairs the Appropriations Committee, says the timeline for the allocation rests on many factors. "It all depends on where the project is, how advanced it is, and when the money is available," he said last November. "But ideally, we can get some of these projects started within the next several months."<sup>xix</sup>



## Resources

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