

# RECHARGE

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## 'Enormous sigh of relief' | US clean energy sector exhales as coal state senator backs climate deal



Senator Joe Manchin Photo: Tom Williams/CQ-Roll Call, Inc via Getty Images

*Joe Manchin's decision to end opposition breathes new life into President Joe Biden's sputtering climate agenda if new \$433bn bill passes Congress*

By **Richard Kessler**

Maverick Democratic Senator Joe Manchin on Wednesday agreed to support a new bill with \$369bn for carbon reduction and energy investment, unexpectedly breathing new life into President Joe Biden's faltering climate agenda.

The \$433bn agreement negotiated between majority leader Charles Schumer and Manchin would represent the most ambitious action ever taken by Congress to address climate change, although the measure they are calling the *Inflation Reduction Act of 2022* will require support from every Democrat to pass the evenly divided 100-seat Senate.

"This is the action the American people have been waiting for. This addresses the problems of today — high health care costs and overall inflation — as well as investments in our energy security for the future," said Biden.

"If enacted, this legislation will be historic, and I urge the Senate to move on this bill as soon as possible, and for the House (of Representatives) to follow as well," he added.

A summary of the forthcoming bill released by both lawmakers provided scant detail on the climate and energy provisions. It was unclear when Schumer will bring the bill to the Senate floor for a vote. Congress is in recess in August.

According to *The New York Times*, it includes tax credits for electric vehicles, solar, wind, and other low-carbon energy, along with federal assistance for hydrogen and nuclear power. There will also be \$27bn for a "green bank" to provide financial assistance to clean energy projects.

It was not immediately clear if renewal of the onshore wind and solar tax credits would be for one year, or five or 10 years, as the clean energy industry has lobbied for, or if new ones would include electric transmission and standalone energy storage.

The **production tax credit for onshore wind expired at the end of 2021** and its absence is having a **major chilling effect for new developments**, according to project developers.

In a joint statement, the two lawmakers said the bill will "make a historic down payment on deficit reduction to fight inflation, invest in domestic energy production and manufacturing, and reduce carbon emissions by roughly 40% by 2030."

The US under Biden has pledged to **reduce greenhouse gas emissions 50-52% by 2030 from 2005 levels** under the Paris Agreement.

The deal, which Manchin and Schumer said will raise \$739bn in revenue largely from a new 15% corporate minimum tax, prescription drug pricing reform, and tougher tax enforcement, stunned many lawmakers in both political parties, as well as clean energy investors, and environmental groups.

Only two weeks ago, **Manchin derailed another, more ambitious legislative effort** by Democrats, and also last December a mammoth \$1.75bn package called the **Build Back Better** aimed at getting US leadership on global climate action — a central focus of Biden's presidency — firmly back on track.

In both cases, he expressed concern that a new round of deficit spending would balloon the federal deficit and stoke decades-high inflation that polls show is voters' number one concern as the US heads toward 8 November mid-term elections.

Opposition Republicans are favoured to win control of the House and possibly the Senate, which would create divided government over the final two years of Biden's initial term in office and complicate his climate ambitions. For that reason, many Democrats were furious at Manchin for blocking a key part of the White House's domestic agenda.

Manchin said this time was different, contending his agreement with Schumer will reduce the deficit by more than \$300bn and lower energy and healthcare costs.

He also said Schumer and House leader Nancy Pelosi committed to advancing a suite of "commonsense permitting reforms" this fall that will ensure all energy infrastructure, from transmission to pipelines and export facilities, can be efficiently and responsibly built to deliver energy safely here and to allied nations.

Regarding climate, he said their plan "addresses our nation's energy and climate crisis by adopting commonsense solutions through strategic and historic investments that allow us to decarbonize while ensuring American energy is affordable, reliable, clean, and secure."

He underscored that the bill "does not arbitrarily shut off our abundant fossil fuels."

Manchin, a political moderate in a party whose leaders in Congress are mostly left-of-centre, is the swing vote in the evenly divided 100-seat Senate in position to decide whether major legislation can pass using a special parliamentary procedure called reconciliation. All 50 Republicans opposed both *Build Back Better* and the present bill.

A reconciliation bill that expedited certain budgetary legislation could pass with a party-line majority of 50 votes plus an affirmative tie-breaking vote cast by US Vice President Kamala Harris in her capacity as president of the Senate. The procedure overrides filibuster rules that may otherwise require a supermajority of 60 votes.

The *Inflation Reduction Act of 2022*, like the earlier bills is partisan. Manchin, a political moderate in a party whose leaders in Congress are mostly left-of-centre, is the swing vote in the Senate where Democrats will again try to secure passage with a simple majority. Vice President Kamala Harris in her capacity as president of the Senate would cast the tie-breaking vote.

While they waited for the two lawmakers to release the bill's language, clean energy groups welcomed the sudden turnaround in their industry's fortunes.

"The entire clean energy industry just breathed an enormous sigh of relief," said Heather Zichal, CEO of the American Clean Power Association. "This is an 11th hour reprieve for climate action and clean energy jobs, and America's biggest climate and energy policy."

Abigail Ross Hopper, CEO of Solar Energy Industries Association, called the deal between Manchin and Schumer "significant" and a major opportunity to tackle the climate crisis.