



# POLICY BRIEF



## THE COST OF BIDEN'S "GREEN" ENERGY CRONYISM

The price tag for the Biden administration's so-called "green" energy future to electrify our nation continues to get more expensive. Taxpayers stand to pay more than 3 times the initial cost estimate for "climate change" provisions in the falsely titled Inflation Reduction Act (IRA).<sup>1</sup>

- **Price Tag Upwards of \$1.2 Trillion, Not \$390 Billion**

- Last year, the Congressional Budget Office (CBO) estimated that the climate change provisions of the IRA would total \$391 billion.<sup>2</sup> Since this preliminary CBO estimate, independent analysis keeps raising the price tag, with one recent estimate putting the "green" subsidy handouts at \$1.2 trillion.<sup>3</sup>
- Recent independent analysis estimates that the cost of the electric vehicle (EV) battery production tax credit alone could cost upwards of \$196.5 billion, 540% more than the initial CBO estimate of \$30.6 billion.<sup>4</sup>
  - Even at a lower bound assumption on the key input (battery kilowatt hours / kWh), the cost of the EV battery production credits would total \$43.7 billion, exceeding the CBO's preliminary estimate by \$13.1 billion; using the higher bound kWh input assumption puts the total cost tag for this one tax credit at \$196.5 billion.<sup>5</sup>

- **Double Standard When It Comes to "Green" Energy Corporate Welfare**

- The Biden administration and Democrats continue to reveal a clear double standard in favoring "green" energy corporate handouts, while proposing to eliminate subsidies that have gone to fossil fuel companies.<sup>6</sup> They deem these handouts favoring "green" energy companies worthy of taxpayer subsidies since they advance their political goals even though research fails to support their alarmist claims for a radical overhaul of our nation's energy markets.<sup>7</sup> [See RPC Guide *The Connection Between Extreme Weather and Climate Change*<sup>8</sup>]
  - Despite claiming that our nation's reliable and affordable energy sectors would not be assaulted, they are being choked out<sup>9</sup> and we are paying for it at the pump.<sup>10</sup>
  - The attack on America's energy producers is not isolated to any one industry. Recently, the Biden administration issued a regulation that would effectively ban gas stoves.<sup>11</sup>
  - Perhaps the biggest falsehood is that we can make the transition to an energy grid, absent carbon-energy without decimating Americans' standards of living.<sup>12</sup> The reality is that we need reliable, hydrocarbon energy to support our economy, now and in the future,<sup>13</sup> as well as our national security.<sup>14</sup>

- **America's Energy Independence Cannot Be Sold to China and Foreign Threats**

- Biden's "green" energy initiatives represent a massive overreach of the federal government in America's energy markets.<sup>15</sup> The threats to our nation worsen when we cut off American resources and instead fuel our foreign adversaries, such as doling out blanket taxpayer handouts to China who controls 90% of the world's battery storage market, 66% of global solar panel production, and 50% of wind turbine production.<sup>16</sup> China also controls over 70% of the world's extraction capability and about 90% of processing capacity of the world's rare earth elements reserves needed for the "greening" of America.<sup>17</sup>

- It is no secret that companies in the U.S. are being used as Chinese fronts.<sup>18,19</sup> While it is unclear how much total taxpayer funds will directly flow to Chinese companies, already since the passage of Biden's IRA, Microvast, an EV battery company here in the U.S. that owns most of its assets and conducts the majority of its business in China, has received a \$200 million grant.<sup>20</sup>
  - We cannot afford to throw hard-earned American taxpayer dollars to poor investments,<sup>21</sup> nor can we fall into a dependency trap to China as we're "steered" toward reliance on battery-powered transportation.<sup>22</sup>
- **Better Path Forward for America's Energy Markets**
    - The path to an electric America comes at a cost. New taxpayer subsidies will directly cost trillions of dollars, in addition to the indirect costs that will hurt consumers as we switch away from reliable and affordable energy sources.
    - We would be better off scrapping costly federal subsidies, certainly including the trillions of dollars in federal "green" energy tax credits under the IRA, and instead re-evaluate ways to unleash greater potential from current hydrocarbon reserves in the U.S., including removing barriers to drilling and delivering energy to markets, and avoid directing American taxpayer dollars to China.
    - Pro-development reforms included in the Lower Energy Costs Act (H.R. 1) would open up American markets to the greater potential of hydrocarbon reserves.<sup>23</sup> This would boost U.S. Gross Domestic Product (GDP) by \$379 billion a year and employment by 667,000 jobs, while lowering American household energy expenses \$795 a year.<sup>24</sup>

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<sup>1</sup> Pub. L. No. 117-169. <https://www.congress.gov/bill/117th-congress/house-bill/5376/text>

<sup>2</sup> Summary of Estimated Budgetary Effects of Pub. L. No. 117-169. Congressional Budget Office. September 7, 2022. [https://www.cbo.gov/system/files/2022-09/PL117-169\\_9-7-22.pdf](https://www.cbo.gov/system/files/2022-09/PL117-169_9-7-22.pdf)

<sup>3</sup> The Editorial Board. The Real Cost of the Inflation Reduction Act Subsidies: \$1.2 Trillion. The Wall Street Journal. March 24, 2023. <https://www.wsj.com/articles/inflation-reduction-act-subsidies-cost-goldman-sachs-report-5623cd29>

<sup>4</sup> Vance Ginn, Ph.D. The Inflation Reduction Act's Costly New Tax Credits for Electric Vehicle Batteries. Americans for Tax Reform. April 5, 2023. <https://www.ATR.org/wp-content/uploads/2023/04/Final-Policy-Brief-on-EV-Tax-Credits.pdf>

<sup>5</sup> Christine McDaniel. The Cost of Battery Production Tax Credits Provided in the IRA. Forbes. February 1, 2023.

<https://www.forbes.com/sites/christinemcdaniel/2023/02/01/the-cost-of-battery-production-tax-credits-provided-in-the-ira/?sh=22363a4079ef>

<sup>6</sup> Rachel Frazin and Zack Budryk. Biden once again targets fossil fuel benefits in budget proposal. The Hill. March 9, 2023.

<https://thehill.com/policy/energy-environment/3892855-biden-once-again-targets-fossil-fuel-benefits-in-budget-proposal/>

<sup>7</sup> David Kreutzer, Nicolas Loris, Katie Tubb, and Kevin Dayaratna. The State of Climate Science: No Justification for Extreme Policies. The Heritage Foundation. April 22, 2016. <https://www.heritage.org/environment/report/the-state-climate-science-no-justification-extreme-policies>

<sup>8</sup> <https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/extreme-weather-and-climate-change.pdf>

<sup>9</sup> Staff Report. Democrats' War on Domestic Energy Production and Its Impact on the American People. U.S. House Committee on Oversight & Reform Republicans. November 7, 2022. <https://oversight.house.gov/wp-content/uploads/2022/11/Republican-Staff-Energy-Report.pdf>

<sup>10</sup> Chris Gilligan, Sharon Lurye, and Elliot Davis, Jr. States With the Highest Gas Prices. U.S. News & World Report. March 24, 2023. <https://www.usnews.com/news/best-states/articles/states-with-the-highest-gas-prices>

<sup>11</sup> The Editorial Board. Banning Gas Stoves by Regulation. The Wall Street Journal. February 3, 2023. <https://www.wsj.com/articles/energy-department-regulations-gas-stoves-ban-jennifer-granholm-biden-administration-11675457600>

<sup>12</sup> Kevin Dayaratna, Katie Tubb, and David Kreutzer. The Unsustainable Costs of President Biden's Climate Agenda. The Heritage Foundation. June 16, 2022. <https://www.heritage.org/energy-economics/report/the-unsustainable-costs-president-bidens-climate-agenda>

<sup>13</sup> <https://www.heritage.org/environment/report/the-state-climate-science-no-justification-extreme-policies>

<sup>14</sup> EJ Antoni. Biden's Energy Policies Encourage Global Instability. The Heritage Foundation. September 16, 2022. <https://www.heritage.org/energy-economics/commentary/bidens-energy-policies-encourage-global-instability>

<sup>15</sup> Veronique de Rugy. Subsidies Are the Problem, Not the Solution, for Innovation in Energy. Testimony before the House Committee on Science, Space, and Technology, Subcommittee on Energy. <https://www.mercatus.org/research/federal-testimonies/subsidies-are-problem-not-solution-innovation-energy>

<sup>16</sup> Diana Furchtgott-Roth. Beijing Biden's Energy Policies Will Lose the New Cold War. The Heritage Foundation. March 31, 2023. <https://www.heritage.org/energy-economics/commentary/beijing-bidens-energy-policies-will-lose-the-new-cold-war>

<sup>17</sup> James Carafano, Michael Pillsbury, Jeff Smith, and Andrew Harding. Winning the New Cold War: A Plan for Countering China. The Heritage Foundation. March 28, 2023. <https://www.heritage.org/asia/report/winning-the-new-cold-war-plan-countering-china>

<sup>18</sup> Diana Furchtgott-Roth. China's Cash Drives America Towards Electrification. The Heritage Foundation. November 10, 2022. <https://www.heritage.org/energy-economics/commentary/chinas-cash-drives-america-towards-electrification>

<sup>19</sup> Victoria Coates. Clean Energy's Dirty Little China Secret. The Heritage Foundation. February 7, 2023. <https://www.heritage.org/energy-economics/commentary/clean-energys-dirty-little-china-secret>

<sup>20</sup> *Id.*

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<sup>21</sup> Andrew Wheeler. The Need to Examine the Life Cycles of All Energy Sources: A Closer Look at Renewable-Energy Disposal. The Heritage Foundation. September 20, 2021. <https://www.heritage.org/renewable-energy/report/the-need-examine-the-life-cycles-all-energy-sources-closer-look-renewable>

<sup>22</sup> <https://www.heritage.org/energy-economics/commentary/chinas-cash-drives-america-towards-electrification>

<sup>23</sup> H.R. 1. U.S. House of Representatives 118<sup>th</sup> Congress. <https://www.congress.gov/bill/118th-congress/house-bill/1>

<sup>24</sup> Parker Sheppard, Richard Stern, and Kevin Dayaratna. Policies in the Lower Energy Costs Act Will Lower Energy Costs and Increase GDP. The Heritage Foundation. March 30, 2023. <https://www.heritage.org/energy-economics/report/policies-the-lower-energy-costs-act-will-lower-energy-costs-and-increase>