The limitless hidden costs of the IRA

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Alex Epstein
Mar 31

We were told that the IRA would give us cheap "green" energy for "only" $400 billion in subsidies.

In reality, the IRA has a limitless price tag due to its 1) limitless number of years, 2) limitless dollars per year, 3) limitless harm to our grid.

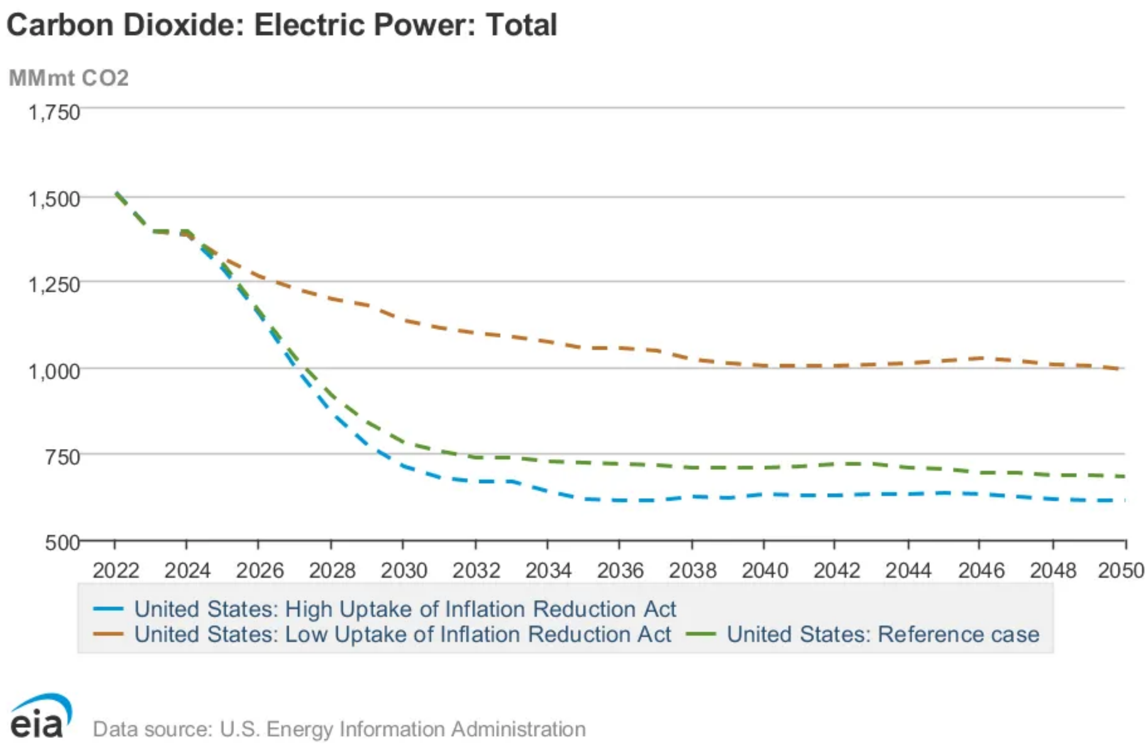
- The promise that for just $400 billion the IRA would give us cheap "green" energy never made sense.

  If the "green" sources the IRA was subsidizing were actually on the verge of being cheap, they wouldn't need to be subsidized.
- If the IRA was trying to make low-carbon energy cheap—which is the only way to lower global CO2 emissions long-term—it **would have focused on liberating low-carbon energy production from the anti-development "green" regulations** that hold back nuclear, geothermal, and natural gas.
- **The real goal of the IRA was to pretend to do something about global CO2 so as to wildly enrich "green" companies** that are unable/unwilling to compete on a real market—above all solar/wind companies, who successfully lobby to be paid a (subsidized) premium for unreliable power!
- Given that the IRA's promise of $400 billion in subsidies leading to lower costs was a lie, it should be no surprise that the **$400 billion number is a total lie**.

  The IRA's **cost is limitless**:
  1. It lasts a limitless number of years
  2. It costs limitless dollars per year
  3. It does limitless harm to our grid.
- **1. The IRA lasts a limitless number of years**

  While we were led to believe the IRA's "green" subsidies, mostly for solar and wind, would last 10 years, they actually **continue indefinitely until America reaches an emission level even the Biden Admin says we won't reach by 2050!**

- The IRA specifically states that its stream of lavish subsidies for green energy projects will last at least until 2032, but it will **only end if the CO2 emissions of the electricity sector are below 25% of their 2022 levels**. That is very likely to be far, far more than 10 years. [1]
- Recent **projections by the Biden Admin**'s Energy Information Administration (EIA) indicate that the CO2 emissions of the electric sector will not go down to 25% of current emission levels before 2050! That means the IRA subsidies will **last more than 26 years**! [2]



- **Any calculation of the IRA's cost needs to be based on a realistic projection of when electricity CO2 emissions will go below 25% of their current levels.** And given the Biden Admin's biases their after-2050 estimate should be suspected to be overly optimistic.
- **2. The IRA costs limitless dollars per year.**

  While IRA advocates and the CBO have calculated government expenditures on the order of $400 billion for the IRA's energy and climate policies over the next 10 years, that **could easily be an underestimate by a factor or 3 or more**.
- When the public hears a number like **$400 billion in subsidies**, few know that this **is not a fixed number**. It is an **estimate based on how many companies choose to take advantage of the subsidies**.
- As Al Gore celebrated at the recent World Economic Forum, companies are scarfing IRA subsidies. **Gore said he was "very encouraged" by the prospect of "actually open-ended" subsidies.** Gore being "very encouraged" about subsidies means we should be "very discouraged" about cost. [3]

- While the CBO and partisan analysis projected that the IRA's green energy and climate provisions would cost less than $400 billion over a decade, **analysis by Goldman Sachs indicates that the uncapped subsidies could balloon 3 times to $1.2 trillion**.
- As reported by the Wall Street Journal, by "Goldman's estimate, the IRA tax credits will cost tens to hundreds of billions more than CBO estimated over 10 years." This includes almost $400 billion of additional EV subsidies alone and over $80 billion more for solar and wind electricity generation. [4]

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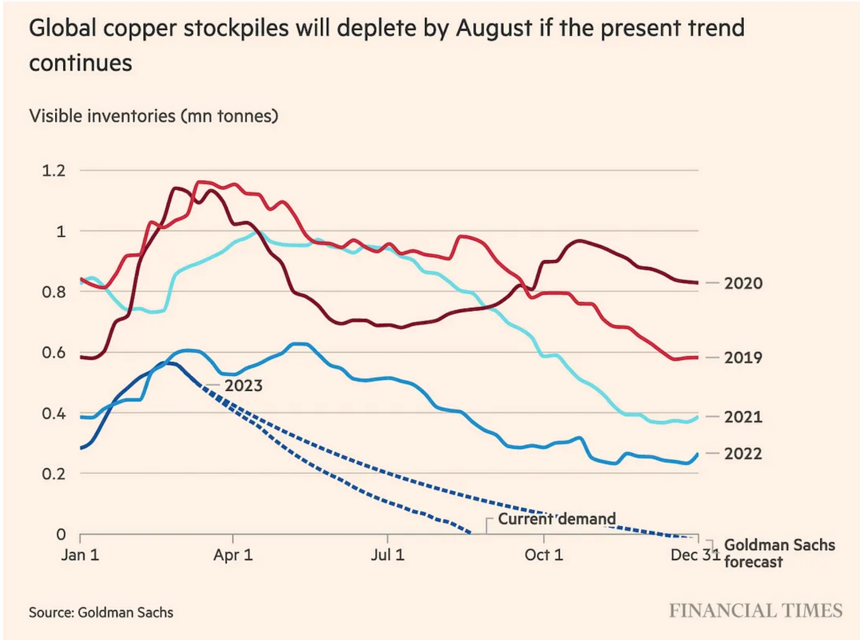
> The Congressional Budget Office forecast that the IRA's energy and climate provisions would cost $391 billion between 2022 and 2031, but this appears to be a huge under-estimate. One reason is companies are rushing to cash in on tax credits that aren't capped. The Biden Administration is also loosely interpreting conditions for the credits.
>
> By Goldman's estimate, the IRA tax credits will cost tens to hundreds of billions more than CBO estimated over 10 years. The forecast misses include electric vehicles (difference: $379 billion), green energy manufacturing ($156 billion), renewable electricity production ($82 billion), energy efficiency ($42 billion), hydrogen ($36 billion), biofuels ($34 billion) and carbon capture ($31 billion).

- A huge IRA cost threat is that it **subsidizes a percentage of project costs for solar, wind, and batteries**. By artificially encouraging such projects, which are extremely mineral-intensive, it will compound the problem of rising "green" material costs—meaning even higher subsidies. [5]



- In addition, **investors in solar and wind are incentivized by the IRA to use particularly costly solar panels and wind turbines manufactured in the hostile environment of US regulations**, which means higher subsidies for every project.
- **3. The IRA does limitless harm to our grid.**

  Not only will the IRA's subsidies last far longer than the decade we were pitched, and not only will those subsidies likely be far higher per year than we were pitched, but—worst of all—the IRA has a limitless ability to harm our grid.
- We're in a growing electricity crisis caused by shutting down reliable power plants and not replacing them with reliable power plants.

  The IRA's **response to this crisis is to double down on one of its main causes: subsidies for unreliable solar and wind.** [6]

Energy Talking Points by Alex Epstein

Electricity Emergency

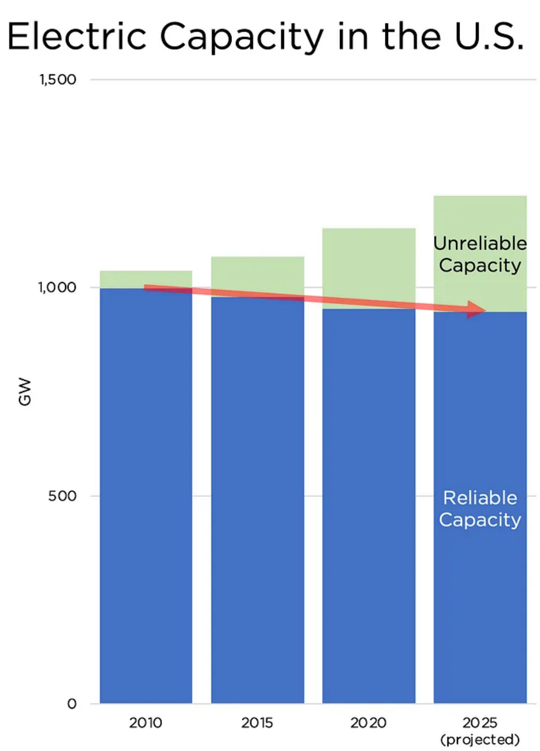
America's grid is in decline and about to get far worse due to policies that 1) reward unreliable electricity, 2) prematurely shut down coal plants, 3) criminalize nuclear, and 4) force electric vehicle use. Here's what's happening and how to fix it...

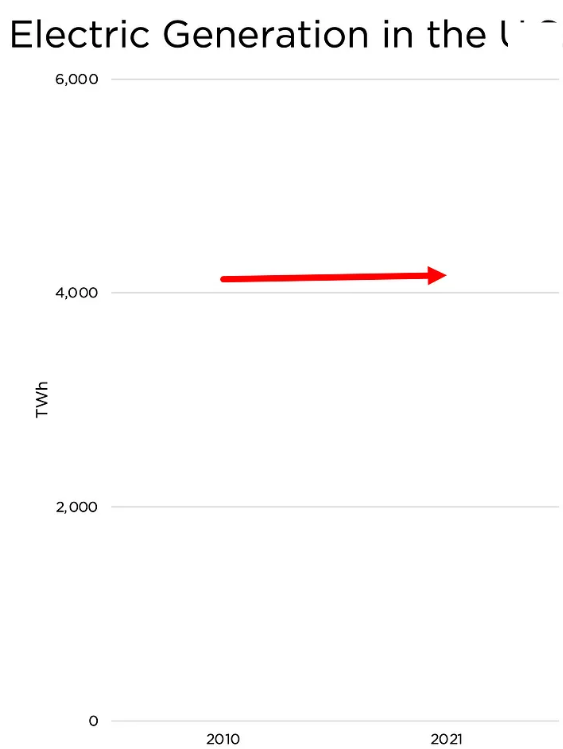
Read more

- Why is America shutting down too many reliable power plants?

  Two of the chief villains are the subsidies known as the Investment Tax Credit (ITC) and Production Tax Credit (PTC). These subsidies had expired. But the Inflation Reduction Act restored and extended them. [7]
- The "ITC" and "PTC" solar and wind subsidies **pay utilities to shut down or slow down reliable gas and coal plants whenever the sun shines or the wind blows. This defunds reliable plants, causing many to be shut down.**

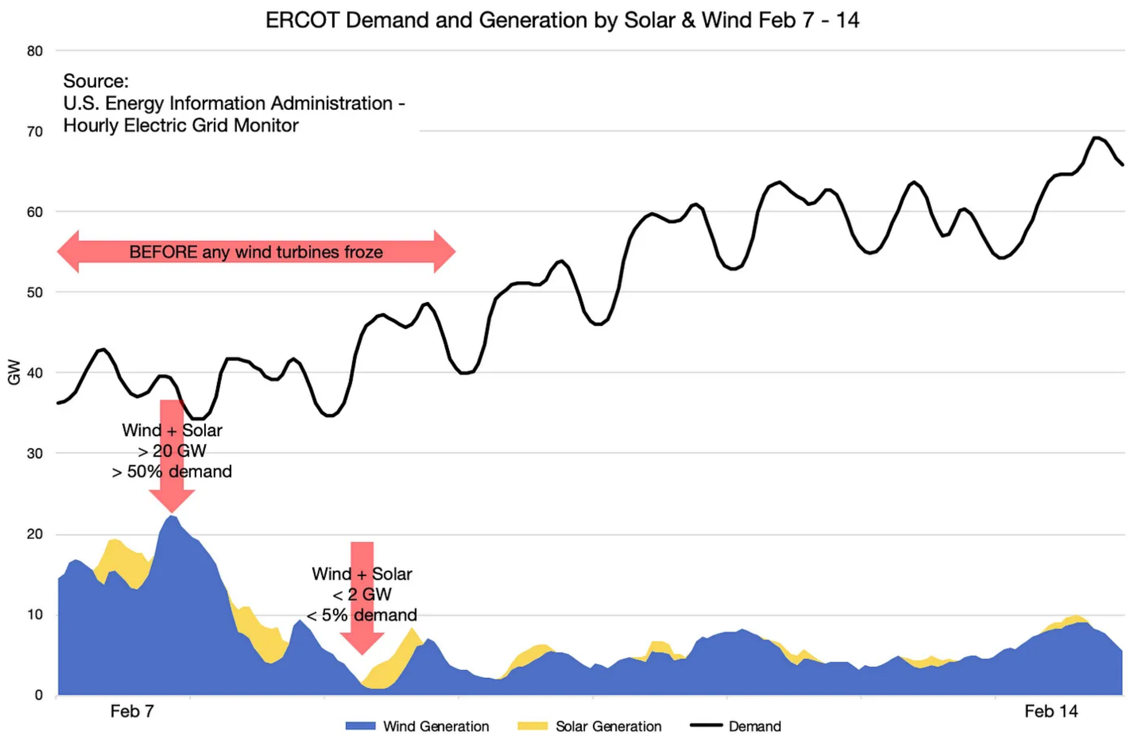
  The IRA extends these ruinous subsidies indefinitely.
- The IRA **pretended to be pro-nuclear** by adding nuclear to its subsidized forms of energy. But since nuclear overregulation makes new plants cost-prohibitive, the Inflation Reduction Act's **endless "clean energy" subsidies** = **endless solar and wind subsidies**.
- By expanding and extending subsidies to unreliable solar and wind, the IRA provides even greater incentives to retire reliable capacity in favor of unreliable green energy. This means more reckless endangerment of our grid's reliability. [8]





- As the ongoing reliable capacity crisis, demonstrated by California's and Texas's recent blackout fiascos, and their continuing shortages in capacity, government-forced and -incentivized solar and wind investments create additional cost.

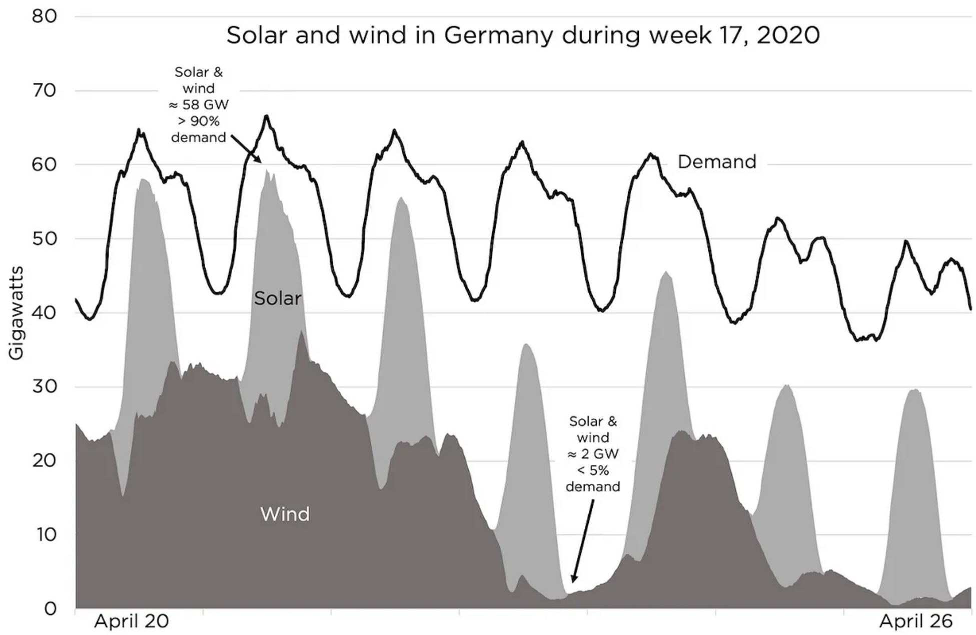
- Contrary to popular narratives, the TX blackouts of 2021, were an unavoidable consequence of overinvestment in unreliable wind power and lack of focus on reliable generation capacity. [9]



- **Estimates of direct losses related to the 2021 TV blackouts are $130B (~$13K per household).**

  Texans were told that thanks to all their wind farms, they had low electricity prices. They weren't told was that the grid's reliability had been harmed, meaning inevitable huge costs. [10]

- Solar and wind subsidies not only drive the shutdown of reliable power plants and loot taxpayers, they also inflate electricity prices. Because solar and wind can go near-zero at any given time, they don't replace most of the costs of reliable power plants—they add to them. [11]



- **Even before the IRA, government policy was already threatening up to 185 GW of coal power in the next 7 years—about 1/5 of reliable capacity!—with the vast majority not replaced by reliable gas or nuclear.**

  By increasing solar and wind subsidies the IRA will ruin our grid even more. [12]

Announced retirements We have tracked coal retirement announcements for over a decade. Announced retirements are based on public statements by the owners of coal plants that they plan to retire certain units/plants. (NERC might call these "unconfirmed" retirements.) The statements by owners appear mostly in media reports and IRPs, and the announced retirement dates are subject to change. However, announced retirements still provide some insight into the size of the coal fleet which makes them useful input for reliability assessments. According to the data base (maintained by Energy Ventures Analysis) we rely on, nationwide announced coal retirements total 92,900 MW during 2022-2030; we also track announced retirements by region. (See table below.) In contrast, NERC's 2021 "Long-Term Reliability Assessment" (LTRA) includes approximately 25,000 MW of confirmed coal retirements during 2022-2030, almost 63,000 MW fewer than announced retirements.

Coal Retirements (MW) 2022-2030

	AEO projected	Announced as of May 2022	NERC "confirmed"
Nationwide	76,000	92,900	25,000
MISO	18,600	22,700	--
PJM	18,500	21,100	--
SPP	6,600	6,000	--
ERCOT	3,700	2,300	--

At-Risk Coal

The Transport Rule, Regional Haze Rule, and a more stringent MATS rule could lead to the installation of advanced emissions controls on most, if not all, coal capacity that does not already have advanced controls. For simplification purposes, we define advanced controls as selective catalytic reduction (SCR) to reduce NO_x emissions and flue gas desulfurization (scrubbers) to reduce SO_2 emissions. MATS controls could include SCR, scrubbers, and other to-be-determined technologies that depend on EPA's risk and technology review. Next, we define "at risk" coal as coal capacity that does not already have SCR, scrubbers, or both. In other words, at-risk means capacity that is at risk of having to install those controls. *This does not mean that all at-risk coal would retire prematurely.* However, some amount of at-risk coal is certain to retire early rather than installing emission controls. (SCR for a typical coal-fired unit costs $150-160 million.) The retirement of any amount of at-risk coal would add to the retirements already announced or projected. The following are our estimates of coal at risk:

Coal At Risk of More Emission Controls (MW)

Nationwide	92,000
MISO	30,200
PJM	14,000
SPP	14,600
ERCOT	9,200

- At the same time the IRA is hastening the shutdown of reliable electricity generation, it is—insanely—promoting far more use of electric cars via subsidies. **California recently previewed the IRA by telling citizens there wasn't enough power for EVs even at 3% market penetration.** [13]

Flex Alert Conservation Actions

Before3 p.m.:

- Pre-cool home by setting the thermostat to as low as 72 degrees
- Use major appliances, including:
  - Washer and dryer
  - Dishwasher
  - Oven and stove for pre-cooking and preparing meals
- Adjust blinds and drapes to cover windows

From 3 p.m. to 10 p.m.:

- Set thermostat to 78 degrees or higher, if health permits
- Avoid using major appliances and charging electric vehicles
- Turn off all unnecessary lights

- To make matters still worse, the IRA not only drives the shutdowns of reliable electric capacity while subsidizing us into using more electric cars, it **also coerces us into increasing electricity use in many other ways: electric heating, electric cooking, electric water heating.**
- **If your goal was to ruin our grid you'd do exactly what Inflation Reduction Act does**

  1) **reduce the supply of reliable electricity via solar and wind favoritism**
  2) **increase demand for electricity via electric vehicle and other electricity subsidies**
- The IRA's alleged **$400 billion price tag for cheap green energy was a total lie**. It has a limitless price tag, including expensive, unreliable green energy.

  Congress should hold hearings documenting the IRA's limitless length, cost per year, and harm to our grid.

  The IRA fraud must end.

If you're on Twitter, please share these talking points there.

Alex Epstein
@AlexEpstein

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"Energy Talking Points by Alex Epstein" is my free Substack newsletter designed to give as many people as possible access to concise, powerful, well-referenced talking points on the latest energy, environmental, and climate issues from a pro-human, pro-energy perspective.

Popular links

- *EnergyTalkingPoints.com: Hundreds of concise, powerful, well-referenced talking points on energy, environmental, and climate issues.*
- *My new book Fossil Future: Why Global Human Flourishing Requires More Oil, Coal, and Natural Gas—Not Less.*
- *Speaking and media inquiries*

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1 The White House - Building a clean energy economy

2 Wood Mackenzie - The indefinite Inflation Reduction Act: will tax credits for renewables be around for decades?

U.S. EIA - Annual Energy Outlook 2023

3 Youtube - Al Gore | World Economic Forum | 18 January 2023 | Just Stop Oil

4 WSJ - The Real Cost of the Inflation Reduction Act Subsidies: $1.2 Trillion

5 Financial Times - Copper price to surge to record high this year, Trafigura forecasts

Mark Mills - The "Energy Transition" Delusion: A Reality Reset

6 Alex Epstein - Electricity Emergency

7 Alex Epstein - The "Inflation Reduction Act" is a 4-step recipe for destroying American energy

8 U.S. EIA - Electric Power Annual

9 Alex Epstein - Talking Points on the Texas Electricity Crisis

Brent Bennett - Forget About What Broke: The Texas Blackout Was Inevitable

10 Federal Reserve Bank of Dallas - Cost of Texas' 2021 Deep Freeze Justifies Weatherization

11 German grid data by Bundesnetzagentur SMARD

12 America's Power - Letter to Mr. James B. Robb, President and CEO North American Electric Reliability Corporation

13 CAISO - California ISO issues Flex Alert for today, Sept. 8

California Energy Commission - Light-Duty Vehicle Population in California

16 Comments

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blox. Writes Bloxblog Mar 31 · *edited Mar 31*

Apparently Alex forgot that the fossil fuel industry has been getting ~ $130 billion annual federal subsidies for decades.

https://en.wikipedia.org/wiki/Fossil_fuel_subsidies

Looks like he also forgot that fracking has never been profitable unless a barrel of oil is trading over $100.

https://www.investopedia.com/articles/investing/072215/can-fracking-survive-60-barrel.asp#

It's always worth turning money into energy. There is no economy without cheap energy.

I'm not saying the IRA is good policy, but neither is whatever Alex is peddling.

LIKE (4) REPLY ···

2 replies

Scott Mar 31

It's a complete scam. My electricity rate this winter is .34 per kilowatt hour, ridiculous

LIKE (2) REPLY ···

10 replies

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