
U.S. Climate Legislation Update



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Now that President Joe Biden has signed the bipartisan infrastructure bill, which provided a major political win for the administration, he will now pivot to the more complex reconciliation bill which includes his Build Back Better (BBB) agenda. If the BBB package passes, with its wide range of climate provisions, it would significantly advance U.S. climate policy and put the country's new emissions reduction target of 50-52 percent by 2030 within reach. In this brief, we look at recent developments on domestic climate developments in Congress and with the Biden administration.

Bipartisan Infrastructure Bill

On November 5, the \$1.2 trillion bipartisan infrastructure bill finally passed the House of Representatives. The fact that President Biden was able to enact a major piece of legislation with votes from both political parties brought about a significant political victory, particularly since conservatives and liberals are highly polarized on most issues. The new legislation is poised to create jobs and upgrade the country's infrastructure (airports, ports, roads and bridges), and advance clean technologies. While not a climate bill, the legislation contains major climate initiatives that total more than \$150 billion.

The bipartisan legislation finally passed, after sitting in the House for several months, largely because of Democratic concerns about their declining public approval ratings, surprisingly poor election results in Virginia in early November, and the Democrats' uncertain prospects in next year's midterm elections.¹ The bill's passage was a deal brokered by House Majority Leader Nancy Pelosi (Democrat, California), who was able to work with several centrist House Democrats who signed a statement pledging to vote for the complementary BBB bill during the week of November 15, when the Congressional Budget Office is expected to release a detailed report on how much the BBB bill costs and how much revenue it raises.²

The bipartisan bill contains provisions for improving public transit, expanding internet access, fixing roads and bridges, improving infrastructure for drinking water and wastewater, and much more. The climate-related measures in the bipartisan infrastructure bill are relatively modest. They include the following:

- \$21 billion for environmental remediation for low-income areas
- \$7.5 billion for EV charging systems nationwide
- \$7.5 for electric buses, low-emissions buses, and ferries
- \$9 billion for clean hydrogen programs
- \$6 billion for battery storage
- \$50 billion for resiliency programs
- \$73 billion for electricity grid updates
- \$6 billion in subsidies for nuclear reactors at risk of closing due to economics
- Energy efficiency programs, including a \$45 million-per-year grant program and \$120 million for centers to boost energy efficiency in manufacturing and industrial facilities
- Various resilience initiatives

¹ Timothy Cama, "How the infrastructure bill happened and what it will do," E&E News, November 8, 2021, https://subscriber.politicopro.com/article/eenews/2021/11/08/how-the-infrastructure-bill-happened-and-what-it-will-do-282926_2_1.

² Jonathan Weisman and Carl Hulse, "How a \$1 Trillion Infrastructure Bill Survived an Intraparty Brawl," New York Times, November 6, 2021, <https://www.nytimes.com/2021/11/06/us/politics/infrastructure-black-caucus-vote.html>.

- \$3.5B to build four direct air capture (DAC) "hubs" in the US, \$115M for a DAC prize competition, and funds for storage sites and CO₂ transportation
- Funds for tree-planting and studying wildfires and prevention measures³

The bipartisan bill's passage had many supporters on Capitol Hill and in the business community, as it was seen as a vehicle to create jobs and upgrade the country's woefully inadequate infrastructure. The Business Roundtable had urged the President to "swiftly sign" the bill, and the U.S. Chamber of Commerce called it a "major win" for the country.⁴ Still, many Congressional Democrats and commentators also worried that, if Congress does not also pass the BBB agenda in the near future, liberal voters will become frustrated with their lack of progress on key Democratic priorities and may not turn out in sufficient numbers at the next Congressional election in November 2022 for the midterm elections.

Even though a number of Republicans and conservatives supported the bill in the House and the Senate, many in the Republican party were generally far less enthusiastic about the bipartisan bill, criticizing it for wasteful spending and driving up the national debt. The supporters were criticized by their more extreme colleagues. Several called for Republican supporters to be voted out of office. One particularly extreme House Republican, Marjorie Taylor Greene of Georgia, described her colleagues as having voted to "pass Joe Biden's Communist takeover of America."⁵

Build Back Better Agenda

Meanwhile, negotiations regarding the budget reconciliation bill, which contains President Biden's BBB agenda, have continued. The best current indication of its potential content is the latest official version of the bill, approved by the House Rules Committee on November 3. The climate and environment provisions in the framework come to about \$550 billion and are summarized in the graphic below. More detail is provided in [this spreadsheet](#) prepared by Jesse Jenkins at Princeton University.

This list includes major climate initiatives that are likely to make it in the final reconciliation bill (which needs only a simple majority to pass in the Senate):

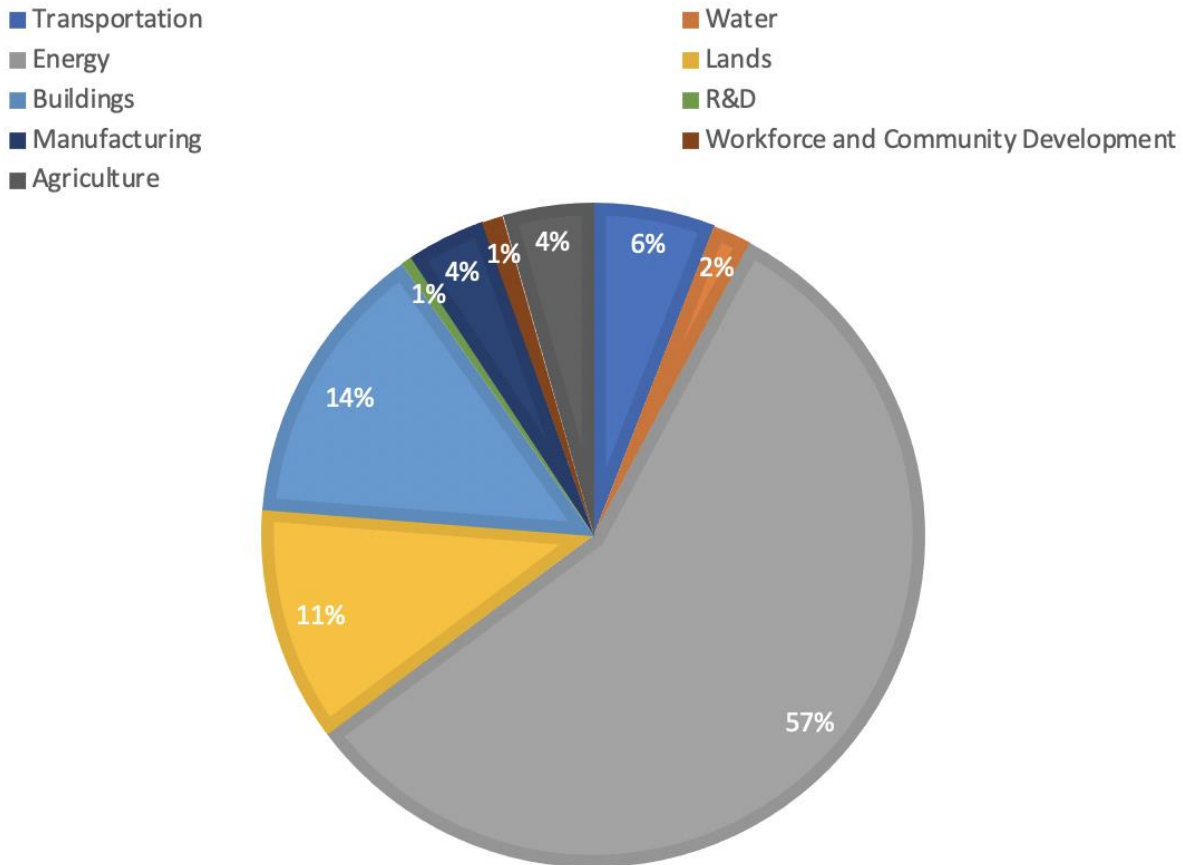
- The extension of tax credits for wind and solar through 2026
- An investment tax credit for certain clean energy investments, such as geothermal and energy storage technologies
- A tax credit that provides \$5 billion annually for projects that use advanced clean technology at industrial and manufacturing facilities
- Incentives for biodiesel and other alternative fuels, and a sustainable aviation fuel credit
- A tax credit for the production of clean hydrogen.
- An expansion of the tax credit for carbon capture, known as 45Q
- More than \$12 billion in assistance for homeowners to green their homes
- Consumer subsidies for purchasing electric vehicles
- Funds for clean air and environmental justice program

³ Cama, "How the infrastructure bill happened and what it will do."

⁴ Karl Evers-Hillstrom, "Business groups urge Biden to swiftly sign infrastructure bill," *The Hill*, November 8, 2021, <https://thehill.com/business-a-lobbying/business-a-lobbying/580577-business-groups-urge-biden-to-swiftly-sign>.

⁵ Ibid.

Figure 1. Build Back Better Climate Investments



Details of the bill are likely to change in the U.S. Senate before final passage, in large part because Senator Joe Manchin (Democrat, West Virginia) continues to be vague about what he will support in the bill.⁶ After all, Democrats cannot afford to lose any the party's votes in the Senate (since that body is split 50-50 between the parties), Manchin's vote is key to passage, and he has expressed skepticism about the bill throughout the process. In addition, the fossil fuel industry has lobbied to shape the bill's provisions.⁷ The combination of Senator Manchin's hesitation and the lobbying pressure could prove decisive against certain provisions, such as financial penalties for methane emissions, which the House included in its version of BBB. Other climate provisions included in the House version might also be eliminated in the Senate.

For that reason, it is difficult to predict what the impact of the BBB bill will be on the United States' greenhouse gas emissions, even if the legislation is adopted. However, some analysts have modelled the impact of most of the provisions included in the latest version of the BBB bill.

⁶ Marianna Levine and Burgess Everett, "Manchin will get last word, even as House races to pass megabill," *Politico*, November 4, 2021, <https://www.politico.com/news/2021/11/04/house-megabill-passage-manchin-last-word-519570>.

⁷ Timothy Cama, "Energy companies boost lobbying amid reconciliation fight," *E&E News*, October 26, 2021, <https://subscriber.politicopro.com/article/eenews/2021/10/26/energy-companies-boost-lobbying-amid-reconciliation-fight-282363>.

The White House claims that the provisions in the administration's BBB framework, which President Biden released in late October just prior to his trip to the G20 and the Glasgow summit, will reduce U.S. emissions by "well over one gigaton in 2030."⁸ This projection is in line with higher-end estimates from credible independent economic modelers. For instance, Energy Innovation found that, without the Clean Electricity Performance Program (CEPP), which has now been cut from the BBB bill, the bipartisan infrastructure bill and BBB together could produce annual emissions reductions of 854-1,059 Gt by 2030.⁹

Though substantial, the emissions cuts produced by the BBB legislation, if adopted, would not be sufficient on their own for the United States to achieve President Biden's 50-52 percent emissions reduction target by 2030. However, modelling by the Rhodium Group indicates that, combined with action by regulators, states, cities, and the private sector, the two new pieces of legislation would put the U.S. climate target within reach.¹⁰ The level of national mobilization envisioned in the Rhodium Group's "joint action" scenario is optimistic, involving an unprecedented level of climate ambition by basically every relevant actor. While the Rhodium Group's modelling shows that the provisions in the reconciliation bill may well bring the U.S. climate target within reach, the United States may not reach the goal if the BBB agenda is weakened further.

While passage of the BBB bill is probably more likely than not at this point, its fate remains uncertain. It is not clear whether Senator Manchin will support the President on this important legislation. This dynamic is particularly problematic for President Biden because the BBB bill also contains many of the President's other social spending priorities. Even the President has said that his Presidency is at stake with the BBB agenda, both in terms of the strength of his ultimate legacy and also his reelection prospects in 2024.

⁸ The White House, "FACT SHEET: President Biden Renews U.S. Leadership on World Stage at U.N. Climate Conference (COP26)," November 1, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/01/fact-sheet-president-biden-renews-u-s-leadership-on-world-stage-at-u-n-climate-conference-cop26/>.

⁹ Megan Mahajan and Robbie Orvis, "Modeling The Infrastructure Bills Using The Energy Policy Simulator," Energy Innovation, October 2021, <https://energyinnovation.org/wp-content/uploads/2021/10/Modeling-The-Infrastructure-Bills-Using-The-Energy-Policy-Simulator.pdf>.

¹⁰ John Larsen, et al., "Pathways to Paris: A Policy Assessment of the 2030 US Climate Target," Rhodium Group, October 19, 2021, <https://rhg.com/research/us-climate-policy-2030/>.



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