

Inflation Reduction Act of 2022: Environmental Justice Provisions

The Inflation Reduction Act of 2022 provides funding for more than 100 programs to help the nation meet its climate goals and transition to a clean energy economy. An important subset of these programs provides \$60 billion in grants, tax credits and other subsidies to meet the Administration's Environmental Justice goals by helping lower income families transition to a clean energy economy and adapt to rising temperatures by increasing the energy efficiency of their homes, cars, and communities. The bill would also specifically address air pollution, greenhouse gas emissions and other legacy pollution issues that have disproportionately impacted lower income communities.

The following provides a summary of the key provisions designed to help lower income families transition to a clean energy economy:

Affordable and Accessible Clean Energy: Home Retrofit Programs would provide about \$8.8 billion to states and tribes to help families transition to energy efficient electric homes, including multi-family housing. The funds would be available through September 30, 2031.

- **High Efficiency Electric Home Rebate Program ([Page 583](#)):** \$4.5 billion of the \$8.8 billion to provide rebates of up to 100 percent to lower income families to purchase and install new energy efficiency appliances including heat pumps, water heaters, stoves, and clothes dryers. Families with incomes of up to 80 percent of AMI will receive a 100% rebate of purchases up to \$14,000 and those between 100% and 150% of AMI will receive a rebate of 50%. In addition, if required, subject to the \$14,000 price cap, households can also receive a rebate to purchase an upgraded breaker box, electrical wiring, and insulation, ventilation and sealing. Funds provided would be sufficient to retrofit about 500,000 homes assuming an average retrofit of about \$8,500 per home.
- **Home Energy Performance Based (HOMES) Rebate Program ([Page 573](#)):** The other \$4.3 billion of the \$8.8 billion would be used to provide rebates to cover a portion of the costs of implementing projected future savings to install energy saving measures throughout their homes. The program provides specific language that would allow states to increase the percentage of the grant covering the installations for families with incomes of less than 80 percent of AMI. For example, in the case of a retrofit that achieves modeled energy systems savings of 35%, the family would receive the lesser of \$4,000 and 50% of the project costs.

Improving Climate Resilience and Energy and Water Efficiency in Affordable Housing ([Page 558](#)): \$1 billion is available as grants and loans for HUD-administered affordable housing

retrofits to increase energy and water efficiency and electrify homes. The funds will be administered by HUD and will be available through September 30, 2028.

Electric Vehicles ([Page 366](#)): The price of new electric vehicles is out of reach for most lower income families and the current tax credit is only applied to the purchase of new electric vehicles. The bill would continue the tax credit for new vehicles but also provide a reduced credit for used electric vehicles, increasing the accessibility of electric cars for lower income families. The program would provide a point-of-sale credit of \$4,000 for used electric vehicles. The credit would only be available to individuals with incomes of up to \$75,000 and \$150,000 for those who are filing jointly. The funds are available through December 31, 2032.

Legacy Pollution Reduction: The bill includes a group of programs providing grants and loans to address air pollution, green gas emissions and other pollution issues in low income and disadvantaged communities:

- **Environmental and Climate Justice Block Grants** ([Page 694](#)): Provides \$3 billion in competitive grants to states, tribes, municipalities and nonprofit organizations to address climate pollution in disadvantaged communities through community-led projects. These funds are available through September 30, 2026.
- **Programs to Improve Air Quality in Low Income and Disadvantaged Communities Greenhouse Gas Reduction Fund** ([Page 658](#)): More commonly referred as funding to establish a national green bank, this section would provide \$27 billion to nonprofits, states and other institutions to leverage private investments in projects that combat climate change, of which 60% will be available to provide clean energy financing in low income and disadvantaged communities to reduce energy consumption and save money. These funds are available through September 30, 2024.
- **Neighborhood Access and Equity Grants** ([Page 699](#)): Provides \$3 billion in competitive grants to create and improve infrastructure which promotes safety and affordability, reconnects neighborhoods separated by current infrastructure, and lessens the impact of infrastructure projects on disadvantaged communities such as reducing noise and air pollution, while coordinating an equitable transportation design process with communities. These funds are available through September 30, 2026.
- **Low Emissions Electricity Program** ([Page 668](#)): Of the \$87 million in the program, \$17 million is for education, technical assistance, and partnerships within low-income and disadvantaged communities to promote greenhouse gas reductions from residential electricity use. These funds are available through September 30, 2031.

Grants to Improve Air Quality in Low Income and Disadvantaged Neighborhoods

- **Grants to Reduce Air Pollution at Ports** ([Page 653](#)): Provides \$3 billion in grants to port authorities, local governments, and private organizations to buy and implement zero-emission port equipment and technology while creating climate action plans. These funds are available until September 30, 2027.
- **Clean Heavy-Duty Vehicles** ([Page 650](#)): \$1 billion to help purchase zero-emission school buses, garbage trucks, and transit buses. \$400 million is specifically set aside for vehicle purchases in nonattainment areas, or communities with low air quality. These funds are available until September 30, 2031.
- **Diesel Emissions Reductions** ([Page 663](#)): \$60 million to reduce diesel emissions resulting from the movement of goods in low-income and disadvantaged communities, including at railyards, airports, and distribution centers. These funds are available through September 30, 2031.
- **Air Pollution Monitoring** ([Page 664](#)): \$3 million to install and use sensors to monitor air quality and pollution in low-income and disadvantaged communities. These funds are available through September 30, 2031.
- **Address Air Pollution at Schools** ([Page 667](#)): \$50 million to monitor and reduce air pollution and greenhouse gases at schools in low-income and disadvantaged communities. \$12.5 million of these funds will go towards technical assistance for these schools to help create environmental quality plans and mitigate pollution hazards. These funds are available through September 30, 2031.

Job Creation

The bill would provide a 10% credit for renewable energy projects built within disadvantaged communities or 20% bonus for projects that are part of a low-income economic benefit project. The bill defines a low income economic benefit project where at least 50% of the financial benefits flow to households with an income of less than 200 percent of the federal poverty limit or 80% of AMI. Note – this provision is limited to a total of 1.8 gigawatts a year.

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