

RECONCILIATION PROVIDES AN KEY OPPORTUNITY TO REPEAL THE IRA ENERGY PROVISIONS

Bill Beach, Senior Fellow in Economics
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The [Inflation Reduction Act](#) (IRA) certainly is the federal government's boldest effort to decarbonize the U.S. economy. It also is likely the most aggressive application of tax incentives and financial nudges ever seen in pursuit of a general policy outcome. Congress passed the IRA under [reconciliation](#) rules and on strictly party-line votes.

It also may be one of the most inaptly named pieces of legislation in recent memory: not only did it make little effort to reduce prices (excepting price controls on certain prescription drugs), it likely stimulated demand for goods and services and prolonged the damaging inflation that started in 2021.

That said, the main feature of the IRA is its decarbonization initiatives. The Act contains eleven major tax credits, ranging from residential energy to advanced manufacturing production. As we argue in this post, Congress should use the unique rules of reconciliation employed to enact the IRA to [repeal](#) these tax credits and other energy provisions of the Act. This action would allow Congress to enact important tax reforms from the budget savings that repealing the IRA energy provisions would produce.

As mentioned, the IRA enacted a bevy of tax credits including many focusing on increasing so-called "green" energy production. The table below, taken from a recent report by the [Cato Institute](#), lists these credits and their expiration dates.

Energy Credits in the Inflation Reduction Act

Provisions	Expiration Date	Notes
Clean Vehicle Credits	2032	
Residential Clean Energy Credit	2034	Storage portion begins phaseout in 2032 and ends in 2035
Energy Efficient Home Credit	2032	
Clean Hydrogen Production Credit	2042	Construction must begin by 2032, credit extends for the first 10 years of life
Credit for Carbon Sequestration	2044	Facility must be developed by 2032, credit extends for 12 years beyond the development date
Production Tax Credit for Electricity from Renewables	2024	Rolls into the PTC under section 13701 beginning in 2025
Clean Fuel Production Credit	2028	
Clean Electricity Production Tax Credit	2032	
Nuclear Production Credit	Contingent Expiration Date	Expires when GHG emissions for electricity are below 25% of 2022 levels
Clean Electricity Investment Tax Credit	Contingent Expiration Date	Expires when GHG emissions for electricity are below 25% of 2022 levels
Advanced Energy Project Credit	Expires Upon Fund Exhaustion	Expires once the \$10 billion in allocated funds are exhausted
Advanced Manufacturing Production Credit	No Full Expiration Date	Phaseout begins in 2030, fully phased out after 2032 for most provisions; no phaseout for applicable critical materials (as defined under Sec. 45X(b)(3)(C))

Source: Cato Institute, Travis Fisher and Joshua Loucks, "The Budgetary Costs of the Inflation Reduction Act's Energy Subsidies," Table 2 (March 22, 2025).

In addition to these tax credits, the Act authorizes outlays for expanding the nation's forests and improving our oceanic territory as steps toward naturally capturing and



transforming atmospheric carbon. The Congressional Budget Office (CBO) estimated direct spending on climate provisions such as these to cost \$47 billion over 10 years.

The main problem many have with the IRA is with the tax credits. They now appear to be far more costly than originally envisioned and far more likely to incentivize tax avoidance strategies rather than actions to counter global warming.

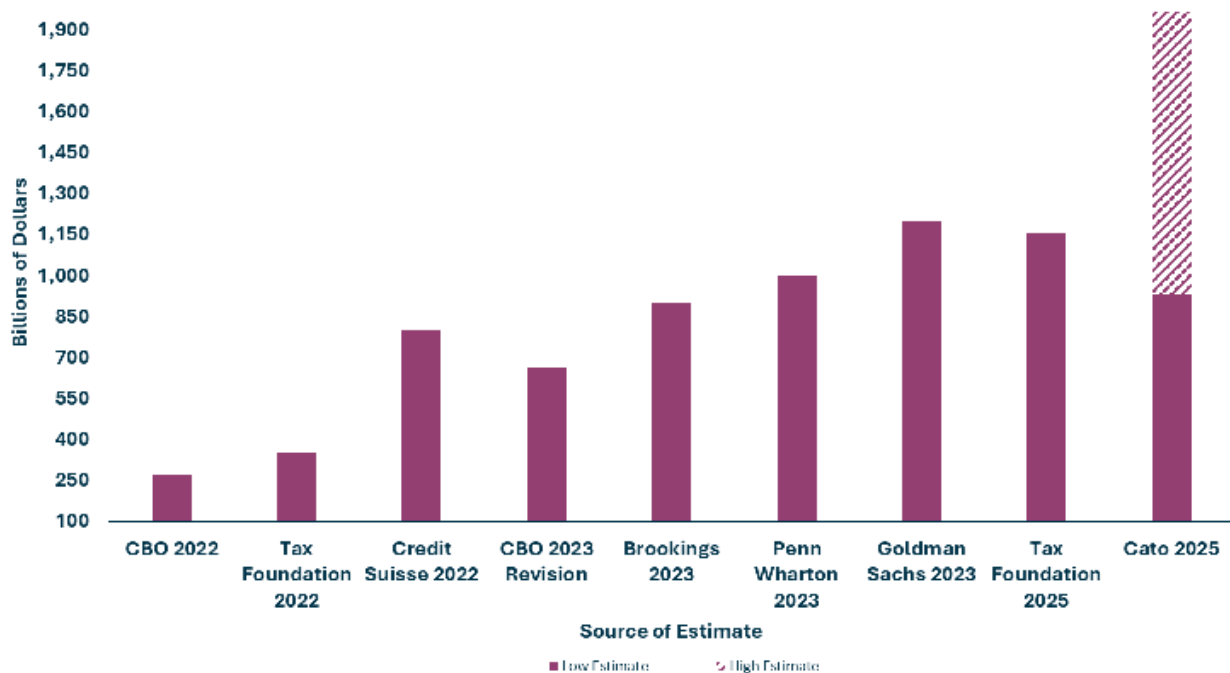
Analysts at CBO and the staff of the Joint Committee on Taxation (JCT) concluded in 2022 that the tax credits would reduce federal revenues by around \$223 billion. This revenue reduction occurs because a taxpayer, most likely a business, chooses to use a tax credit to reduce a mandated tax liability.

However, predicting the rate at which taxpayers will take tax credits depends on many factors that are quite hard to predict. For example, analysts at the JCT and CBO would need to accurately assess when individuals and businesses would decide over the 10-year budget window to reduce their tax liabilities by exercising one of these credits.

Moreover, these analysts would need good guesses on how fast the green energy sector would develop and how extensive that development would be over a 10-year period. Indeed, CBO and JCT would need a good prediction of how rapidly the technology needed for decarbonization would develop, the ease of access to apply for tax credits or subsidies, and many other factors. For instance, the clean electricity production tax credit depends mightily on the technology required to produce clean electricity. Should that technology develop either more slowly than predicted, then the “tax expenditure” estimates will be off, perhaps wildly wrong.

As the figure below shows, that is probably what has happened. The actual adoption rates for these tax credits far exceed the initial assumptions included in the JCT and CBO cost estimates.

Cost Estimates of the IRA Green Energy Provisions: Combined Tax Credits and Direct Spending



In CBO’s [2022 score](#), they estimated the total fiscal impact of the green energy credits to be around \$270 billion — with \$47 billion in direct spending and \$223 billion from tax credits. As the actual take-up rate has materialized, cost estimates have shown the IRA to be significantly more expensive than originally projected. A recent study by the [Cato Institute](#) estimated that, depending on the take-up rates used, the “green” tax credits and energy provisions could have a fiscal impact of between \$936 billion and \$1.97 trillion over the next ten years.

Congress has every reason for taking a second look at the energy tax credits and subsidies in the Inflation Reduction Act. The credits are costing too much, with little prospect of the upward cost curve returning to its forecasted path. Moreover, the promised decarbonization has failed to materialize, but the budget deficits continue to mount and threaten economic activity. It is past time for Congress to reassess the resources it should devote to the Green New Deal agenda and use reconciliation to repeal the IRA green energy provisions.