IndependentWomen®

POLICY FOCUS

JUNE 2025

IRA Green Subsidies

By Gabriella Hoffman, Independent Women's Center for Energy and Conservation Director

HIGHLIGHT

Since becoming law three years ago, the Inflation Reduction Act of 2022 (IRA) has artificially boosted unreliable renewable projects and spent billions of taxpayer dollars on wasteful climate-related initiatives. Congress should act now to roll back these subsidies and tax breaks for select energy businesses that threaten to cost taxpayers trillions while undermining the cause of American energy security.

INTRODUCTION

The United States is poised to unleash a golden age of energy production. With growing **electricity demand**, our country must produce energy from reliable, abundant, and secure sources to meet this challenge.

In his **January 20th, 2025** executive order, "Unleashing American Energy," President Trump announced the termination of Biden-Harris Green New Deal directives—particularly the disbursement of Inflation Reduction Act (IRA) climate funds. Various departments have already worked to comply with this executive order and have identified and proposed cutting billions in wasteful spending for environmental justice and diversity, equity, and inclusion (DEI) projects under former President Biden's signature law. Congress now needs work towards cutting the IRA green subsidies as a matter of law. Otherwise, the Trump-Vance administration's energy dominance agenda could be stalled and ultimately undone by a future administration.

Consistent with that executive order, President Trump's **Fiscal Year 2026** budget and House reconciliation **markups** call for billions in IRA green subsidy rollbacks. Indeed, full repeal could save taxpayers at least **$1 trillion** and help **fund** other Trump-Vance administration priorities to **make the 2017 Tax Cuts and Jobs Act permanent**. American citizens should recognize that they would broadly benefit from a truly competitive energy market that encourages providers to compete to offer reliable energy at the lowest cost. Green energy subsidies distort market innovation and tilt the scales in favor of unreliable solar farms, wind turbines, and electric vehicles (EVs). These subsidies even hurt renewable energy producers by warping incentives so that they are focused on receiving grants and pleasing regulators rather than on developing a sustainable business that can compete on a level playing field. If the IRA green subsidy provisions aren't reformed, energy costs will **increase**, and taxpayers will be on the hook for costly green energy projects that never come online. Even worse, transitioning to 100 percent renewables, as the IRA aims to do, threatens grid stability and undermines **energy security**.

Green energy subsidies distort market innovation and tilt the scales in favor of unreliable solar farms, wind turbines, and electric vehicles (EVs).

BACKGROUND

The Inflation Reduction Act (IRA) of 2022 was passed during the budget reconciliation process and signed into law by former President Joe Biden on August 16, 2022. It was aligned with his Build Back Better Agenda to reduce our reliance on oil and gas and push the U.S. towards a path of net-zero emissions by 2050.

The IRA was heavily marketed as legislation that would reduce inflation, but most provisions were related to energy policy, mirroring the February 2019 Green New Deal resolution introduced before Congress that failed to advance. Supporters of IRA green subsidies **argued** the law would help make the U.S. carbon neutral by incentivizing the transition from fossil fuels to intermittent sources like solar and wind.

Former President Biden **heralded** the deceptively-named law as "the largest climate investment in history," dedicated to spurring clean energy investments. Proponents claimed incentives like grants, loans, and tax credits would speed up the adoption of renewable energy projects, electric vehicles, climate-friendly household appliances, gas-free households, and green manufacturing.

The IRA **expanded or created 22 green tax credits**, including four electric vehicle credits, a residential clean energy credit, and clean electricity production tax credits. Supporters of these provisions argue that this will lead to trillions in clean energy investments and create millions of new climate-friendly jobs. Yet, to date, most green jobs credited to the IRA are **temporary** construction positions.

Since the IRA was passed during budget reconciliation, it can be repealed as part of any reconciliation package negotiations by Capitol Hill and signed as law by the president.

UNCAPPED IRA GREEN SUBSIDIES COSTLY FOR TAXPAYERS

The Biden-Harris administration and government forecasters severely undercounted the true cost of IRA green subsidies.

The Biden-Harris administration and government forecasters severely undercounted the true cost of IRA green subsidies.

Before the IRA became law in 2022, the Congressional Budget Office and the Joint Committee on Taxation (JCT) projected green subsidies would cost approximately **$370 billion** between 2023 and 2032. By spring 2023, Goldman Sachs estimated the IRA's costs would triple to **$1.2 trillion** over ten years. In March 2025, the Cato Institute **revealed** adjusted costs of IRA green subsidies would approach $1.97 trillion between 2025 and 2034. Should Congress fail to reform the IRA's green provisions, their costs could **balloon** to between $2.04 trillion and $4.67 trillion by 2050.

The IRA green subsidies costs are expected to rise steadily. They removed the expiration dates of the previously existing tax credits, which the federal government can perpetually fund. These include the newly introduced **Clean Electricity Investment Tax Credit (48E)** and the **Clean Electricity Production Tax Credit (45Y)**, which boast contingent expiration dates tied to emissions reduction goals. One estimate suggests that solar and wind credits, if not repealed, would **cost** $130 billion annually from 2025 to 2034.

Unlike past production and investment tax credits, these updated credits don't expire and are unlikely to be phased out until the IRA's stated goal of reducing carbon emissions by 40 percent by 2030, compared to 2005 (when the U.S. hit "peak emissions"), is achieved. The National Renewable Energy Laboratory (NREL) **concluded** that uncapped tax credits won't be phased out before 2050, as the IRA's emissions targets are impossible to reach.

GREEN SUBSIDIES FAIL TO SPUR CLEAN ENERGY ADOPTION

Green energy subsidies have promised to spur clean energy adoption. Yet, their effectiveness in spurring the adoption of clean energy technologies such as electric vehicles, solar, and wind is highly debatable.

Electric Vehicles

The Biden-Harris administration supported the phaseout of gas-powered cars in favor of full-electric vehicles to meet their net-zero emissions goals. The Environmental Protection Agency (EPA) finalized rules to mandate that **67 percent** of new cars produced in the U.S. be electric by 2027.

To spur compliance, the IRA offers individuals a **$7,500** EV credit for new or used vehicles purchased after 2023 through the **Clean Vehicle Tax Credit (30D)**. Although EV credits purport to assist first-time EV buyers in lower- and middle-income brackets, the opposite intended result occurs: **Wealthy Americans** making over **$100,000** annually most benefit from EV subsidies. Stanford University researchers similarly **found** that 75 percent of subsidies offered by the IRA go to consumers who would have already bought an EV.

Without government subsidies, a typical EV costs **$58,000**—a price tag that's **$13,000** more than a comparable internal combustion engine (ICE) car. A November 2023 Consumer Reports **determined** that new EVs are 79 percent less reliable and plug-in hybrid electric vehicles (PHEV) are 146 percent less reliable than ICE vehicles, respectively.

Despite mandates and EV tax credits, only a small share of Americans are interested in buying electric cars. Per the most available data, only **1.4 percent** of 292.3 million vehicles—or 4,092,200—on the road were electric vehicles in 2024. This share is likely to change as EVs become more reliable and affordable, but that's a process that should happen naturally through market competition, rather than as a part of a massive tax expenditure.

Solar Energy Projects

The IRA's **Clean Electricity Investment Tax Credit (48E)** applies to new solar projects. It offers a base credit of 6 percent that can increase to between 30 percent and 70 percent coverage, if certain conditions are fulfilled by applicants. But this isn't the federal government's first solar tax credit. The Energy Policy Act of 2005 **established** a one-time, residential solar panel credit capped at $2,000. That policy, like these subsidies, was sold as necessary to boost the nascent technology, but has failed, as solar proponents insist that even more subsidies are needed.

Despite decades of subsidies and investment, solar energy remains the least reliable electricity source available. It's dependent on sunlight and produces electricity for about **25 percent** of the year. Solar also needs at least **10 times more** land, per unit of power produced, than a natural gas or coal-fired plant, which is land that can't be easily used for anything else. The **recent Iberian Peninsula solar power blackout** that left 55 million people without power shows that transitioning to 100 percent renewables, as the IRA aims to do, threatens grid stability and undermines **energy security**.

Despite decades of subsidies and investment, solar energy remains the least reliable electricity source available.

Despite adding **50 GW** of new solar capacity last year, U.S. investment in solar fell **12 percent** in the first half of 2024. Existing companies are going belly up, with **over 100 solar companies** declaring bankruptcy. SunPower, formerly a major **domestic solar** manufacturer, filed for bankruptcy late last year **due to** "reduced demand for residential solar" and high interest rates.

Residential solar consumers pay between **$12,700 and $30,500** to install panels, meaning this technology is only accessible to wealthy Americans.

Utility-scale panels receive tax breaks and subsidies totalling **$2,253 per acre** per year, assuming a useful lifetime of 25 years. This estimate is also likely too low: It assumes that 30 percent of the developers' costs are refunded under the IRA's Investment Tax Credit (ITC), but developers can get more under **certain conditions** like sourcing manufactured components from the U.S. or if the project is sited in an "energy community" or low-income community.

Even with the subsidy floodgate open, constructing solar is **twice** as expensive as natural gas construction, despite operating less efficiently than the latter. As a result, IRA tax credits have made solar energy less viable and competitive. Policymakers should remove these distortions to see if the industry can flourish on its own and positively add to the energy marketplace.

Even with the subsidy floodgate open, constructing solar is twice as expensive as natural gas construction, despite operating less efficiently than the latter.

Offshore Wind Projects

Offshore wind projects, which are heavily subsidized, were a centerpiece of the Biden-Harris administration's climate policies. President Biden set a goal to reach **30 GW** of offshore wind power by 2030, with the help of the **clean electricity production tax credit** (45Y). This goal is triple the amount **pushed** by President Obama, who sought to introduce 10 GW of offshore wind power into the U.S. electric grid by 2020. The first commercial offshore project, Block Island in New England, came online during the eight years of the Obama administration, operating at 30 MW—or 0.3 percent of the 10 GW goal. Current U.S. offshore capacity is **174 MW** (or 0.174 GW).

A typical offshore wind turbine has a **30-year** life span. Although touted as a zero-emissions technology, offshore wind is weather-dependent and highly intermittent, producing electricity for about **45 percent** of the year. Wind advocates have also downplayed the negative oceanographic impacts of installed structures on endangered North Atlantic right whales that can't be **mitigated** across the project's lifespan.

Even with generous government subsidies, the industry struggles due to supply chain issues, rising interest rates, and opposition from local communities. In September 2023, several Northeastern governors **asked** for an offshore wind bailout from the Biden-Harris administration, alleging the wind tax credit didn't go far enough. By mid-2024, their goal to deploy 30 GW by 2030 was in **jeopardy**.

Offshore wind energy isn't cheap either. The levelized cost (LCOE) of offshore wind is expected to hit **$129/megawatt-hour (MWh)** for commercial projects in 2025, making offshore wind one of the most expensive sources of electricity. In comparison, the LCOE of existing gas combined power is **$30/MWh**, while existing nuclear power is **$32/MWh**. These massive structures are expensive to build, even with subsidies, **averaging** between

> Green subsidies historically advantaged larger, profitable companies over smaller, less profitable ones—resulting in higher consumer prices, fewer jobs created, and diminished economic growth.

$8 million for a 10 megawatt (MW) turbine and $12.3 million for a 14 MW turbine.

Ørsted, the Danish offshore wind company, saw an **83 percent decrease** in market share value from 2021 to 2025, and the industry nearly collapsed due to project cancellations, despite receiving IRA PTC subsidies.

GREEN SUBSIDIES DON'T CREATE LASTING JOBS

Inflation Reduction Act proponents claimed their 100% renewable energy policies will lead to a better, cleaner power system for the United States, while also providing good jobs for American workers. Reality has been very different, and failed to realize this vision across the board.

Green subsidies historically **advantaged** larger, profitable companies over smaller, less profitable ones—**resulting** in higher consumer prices, fewer jobs created, and diminished economic growth. IRA clean energy credits have been no different, as they are propping up unreliable and unprofitable clean energy projects that require government assistance.

The IRA was originally **projected** to create 9 million clean energy jobs by 2032, resulting in $98 billion in clean energy project investments. The Political Economy Research Institute at the University of Massachusetts - Amherst **claimed** 6 million jobs would result from IRA grants, loans, and tax credits, while 3 million would be guaranteed by Department of Energy (DOE) loans.

On the law's second anniversary, President Biden claimed IRA green subsidies have **created** 330,000 clean energy jobs and $265 billion in private sector investments. As of May 2025, only **400,000** new green jobs have been created—well below the one million jobs-per-year projection.

Ahead of President Trump's second term, IRA clean energy projects were already facing major economic setbacks. In August 2024, **40 percent** of IRA manufacturing jobs were "delayed, paused, or canceled."

Subsidized industries and corresponding jobs have a low return-on-investment (ROI) for the American taxpayer. Generally speaking, each IRA-tied job costs **$2 to $7 million.**

Similarly, the IRA measures employment in **job-years**—or "one job for one year"—not total jobs created. For example, the offshore wind industry was expected to see **175,000 job-years** created from $68 billion from the IRA clean investment tax credit (ITC). In terms of calculating job-year costs, it would cost taxpayers $389,000 per job-year on the low end. Accounting for other ITC subsidy expenses, the costs **balloon** to $603,000 per job-year, well above the median salary for wind technicians valued at **$62,580**.

IRA GREEN SUBSIDIES HARDLY REDUCE EMISSIONS

Ahead of becoming law in August 2022, the IRA was aggressively touted as a measure to reduce greenhouse gas (GHG) emissions. If the IRA hit its benchmarks, supporters argued there would be a 40 percent decrease in greenhouse gas emissions by 2030 compared to **2005** levels, when our nation hit peak emissions.

On this metric, costly IRA green subsidies won't meet their stated emissions reduction goals.

A **January 2023 Congressional Research Service report** determined the IRA's green provisions would reduce emissions 30 percent to 43 percent by 2030 compared to 2005 levels. Without subsidies, the same report found the U.S. was already on track to **reduce** emissions by between **24 percent and 35 percent** by 2030 compared to 2005. Therefore, the IRA's subsidies could fail to make any difference in emissions compared with the baseline and **spend** $1 trillion in taxpayer dollars in the process.

The Cato Institute similarly **found** that spending over $1 trillion in green subsidies would have a negligible effect on emissions reductions promised by the law. An Energy Information Administration (EIA) chart examining all-sector emissions, **cited by** Cato, found emissions would only decrease 0.7 percent annually with IRA subsidies through 2050, compared to a 0.4 percent annual reduction in emissions without them.

EV subsidies included in the IRA might even invite higher vehicle emissions. The perceived environmental benefits of going fully electric are questionable. EV brakes and tires, due to the heavier weight of an EV, **release** approximately 1,850 times more particulate pollution than ICE tailpipes.

Broadly speaking, any Green New Deal legislation crafted in alignment with the Paris Climate Accords, to prevent a **1.5 Celsius** increase in global temperatures, will only produce modest reductions in carbon emissions. The Heritage Foundation found that, at best, global temperatures will only decrease by **0.2 degrees Celsius**, yet lead to a loss of $7.7 trillion of gross domestic product (GDP) and the shedding of 1.2 million jobs by 2040.

CONCLUSION

The IRA promised to reduce inflation, lower energy costs, and be **deficit-neutral**. None of these predictions came true. In fact, the Congressional Budget Office warned it would have a **negligible effect** on reducing inflation. And in reality, American consumers spent **20 percent** more on energy expenditures in 2022 due to inflation caused by government spending and Russia's war in Ukraine.

Continued reliance on green subsidies for mature clean energy industries invites distortions in energy markets, impairs the development of a reliable, robust energy infrastructure, and will saddle American taxpayers with trillions more in debt.

Congress has a unique opportunity to dismantle costly IRA green subsidies that could save taxpayers at least **$1 trillion** and direct those monies to better priorities like tax cuts for hard-working Americans.

WHAT YOU CAN DO!

Get Informed:

To learn more about costly IRA green subsidies, visit:

- The Budgetary Cost of the Inflation Reduction Act's Energy Subsidies
- Why IRA energy subsidies should be dismantled: A guide
- Overhaul of IRA Energy Credits: House Proposal

Talk to Your Friends:

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community:

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically:

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

ABOUT INDEPENDENT WOMEN

Independent Women is dedicated to building support for free markets, limited government, and individual responsibility. Independent Women, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.