

19 April 2023

## Ways & Means Holds Green Energy Hearing as Debt Limit Bill Released

The April 19 House Ways and Means Committee “Hearing on the U.S. Tax Code Subsidizing Green Corporate Handouts and the Chinese Communist Party” featured a relitigating of the Inflation Reduction Act (IRA) enacted in 2022. Republicans asserted that the IRA green energy provisions incentivize the use of materials derived from other nations and that, based on calculations from analysts, the IRA will cost more than \$1 trillion, far more than projected by the government at the time of its enactment. Democrats contended that the IRA’s energy credits would push the US toward a green energy future while protecting workers with prevailing wage and apprenticeship requirements and sought to level the GOP’s same criticisms of the IRA toward the 2017 TCJA, a signature Republican law.

In an opening statement, Chairman Jason Smith (R-MO) said, “Solar cells manufactured in China and assembled into panels in the U.S. will qualify for these special interest tax breaks – even if they are implicated in human rights abuses. The world’s largest solar manufacturer is a Chinese company that just had its solar shipments confiscated at the border last fall over forced labor concerns. They are now planning to partner with a business in Ohio to utilize these very credits to build a facility here in the United States. Are these the type of businesses we should be rewarding?”

### WITNESSES AND TESTIMONY HIGHLIGHTS

- Daniel Turner, Executive Director, Power the Future, asserted that “Every tax break, subsidy, or government program meant to incentivize the purchase of EVs is really a direct benefit to China.”
- Drew Horn, CEO, GreenMet said, “Existing tax credit policy lacks specificity at each step of the process in determining eligibility for receiving these new and expanded green energy tax credits.”
- Kenny Stein, Policy Director, Institute for Energy Research IRA said, “The IRA energy subsidies are pushing the US towards more expensive and less reliable electricity, while also discarding America’s energy security in favor of dependence on China.”
- Vance Ginn, Senior Fellow, Americans for Tax Reform said, “Given the over \$31 trillion national debt, the potential costs of energy subsidies must be properly understood, especially given the strained economy of high inflation and increasing likelihood of a deeper recession.”
- Ben Beachy, VP of Manufacturing & Industrial Policy, BlueGreen Alliance said, “We shouldn’t have to choose between good jobs, a livable climate, and a fairer economy—we can and must secure each of these. The Inflation Reduction Act’s investments can help to turn this belief into reality.”

### Q&A

During the Q&A portion, Chairman Smith asserted that the IRA incentives would require the use of technology from foreign nations and asked if middle-income communities would benefit. Turner said solar incentives are essentially break-even for those in rural communities and EVs aren’t always powerful enough to be useful for farm applications.

Rep. Judy Chu (D-CA) asked how the IRA’s domestic content requirements help the US economy. Beachy said the benefits would come through high-paying union jobs, a more equitable economy by fixing the

inequities from the loss of manufacturing jobs, and more energy security that is a critical component of economic security. Rep. Mike Thompson (D-CA) similarly asked how IRA incentives will create good-paying jobs. Beachy said that is accomplished by the law ensuring prevailing wages and apprenticeship programs.

Rep. Vern Buchanan (R-FL) said the cost of the energy credits could exceed \$1 trillion, based on private sector estimates. Ginn said this constitutes a massive amount of spending and spending could be capped. Rep. Dave Schweikert (R-AZ) also said cost estimates are much higher than when the bill was passed, and suggested EV credits are not changing the number of vehicles bought; rather they are subsidizing existing behavior for wealthy people.

Rep. Earl Blumenauer (D-OR) said Democrats have made the same argument about the 2017 TCJA: that the actual cost is much greater than presented at the time of enactment and the main beneficiaries are wealthy Americans. He also said the US has record labor participation and it is clear the IRA is working. House Budget Committee Chairman Jodey Arrington (R-TX) also cited the underscoring of the IRA and concerns about the impact on the nation's financial health.

Rep. Ron Estes (R-KS) criticized the Critical Minerals Agreement with Japan that allows for tax credit qualification under the IRA requirements.

Rep. Michelle Steel (R-CA) said China now develops the majority of nickel, cobalt, lithium and other materials manufacturers need to produce clean energy products, but the US has tied its own hands with the requirements in the IRA. Turner asked, if the materials are all found in other nations, how sustainable is the manufacturing or processing? He said the materials can be found in some US states, but Democrats won't allow the mining necessary for them to be used.

## LIMIT, SAVE, AND GROW ACT OF 2023

Separately, the debt limit package released by House Republican leaders today, the Limit, Save, and Grow Act of 2023, would restore prior law for several IRA provisions, including:

- The credit for electricity produced from certain renewable resources
- The energy credit
- The credit for carbon oxide sequestration
- Incentives for biodiesel, renewable diesel, and alternative fuels
- Incentives for second generation biofuels
- The nonbusiness energy property tax credit
- The energy efficient commercial buildings deduction
- The new energy efficient home credit
- The tax credit for qualifying plug-in electric vehicles
- The fuel refueling property credit
- The qualified advanced energy manufacturing tax credit

The package would repeal:

- The new tax credit for "environmental justice solar and wind capacity"
- The new tax credit for zero-emission nuclear power
- The new tax credit for the sale or mixture of sustainable aviation fuel

- The new tax credit for the production of clean hydrogen
- The new tax credit for buyers of previously owned qualified plug-in electric and fuel cell vehicles
- The new tax credit for qualified commercial clean vehicles
- The new production tax credit for the domestic production and sale of qualifying solar and wind components
- The new clean electricity production tax credit
- The new clean electricity investment tax credit
- The new tax credit for domestic clean fuel production

It would also rescind amounts provided to the Internal Revenue Service (IRS) in the Inflation Reduction Act.

It should be noted that President Biden and Democratic congressional leaders are calling for a clean debt limit bill and would be unlikely to support rolling back provisions of the IRA.

#### TRADE RESOLUTION OF DISAPPROVAL

Prior to the Ways & Means hearing, H.J. Res 39, Disapproving the Rule Submitted by the Department of Commerce Relating to “Procedures Covering Suspension of Liquidation, Duties and Estimated Duties in Accord with Presidential Proclamation 10414,” was favorably reported by the Committee 26-13. The resolution addresses solar import tariffs from Asian nations. Rep. Terri Sewell (D-AL) was the lone Democrat to join Republicans in supporting the resolution.

Materials from the hearing are at <https://waysandmeans.house.gov/event/hearing-on-the-u-s-tax-code-subsidizing-green-corporate-handouts-and-the-chinese-communist-party/>

The Limit, Save, and Grow Act of 2023 is at [https://www.speaker.gov/wp-content/uploads/2023/04/LSGA\\_xml.pdf](https://www.speaker.gov/wp-content/uploads/2023/04/LSGA_xml.pdf)