The announcement of the legislative deal (the Inflation Reduction Act of 2022) between Senator Joe Manchin (D-WV) and the Democratic Senate leadership was a bid deal in climate policy. The legislation relies on the reconciliation process, allowing it to pass with a simple 50 votes (plus Vice President Harris' tie-breaker vote). The legislation provides for hundreds of billions of dollars in investments in decarbonization in the American economy – and current estimates are that it will <u>significantly advance</u> President Biden's goal of reducing carbon emissions from the U.S. by <u>50 percent from 2005 levels by 2030</u>. (For an overview of all the provisions, see this <u>summary</u>.) It's no surprise that climate activists are happy, especially given the prospect just a few weeks ago of no legislative action at all.

I'm optimistic about the impacts of the IRA – it will drive investment in climate technology, both in research and deployment, that will produce transformational change. As such, the IRA shows the potential (indeed, the necessity) of <u>an investment-focused approach to</u> <u>climate policy</u>, because investments can drive down the cost of decarbonizing our economy, and rapidly scale up decarbonization. As pointed out by <u>other commentators</u>, a framing that <u>emphasizes how decarbonization can produce cheaper</u>, more abundant, and more reliable <u>energy for a growing economy is a framing that is most likely to succeed politically</u>.

But the benefits of an investment-driven focus for climate policy go beyond the short term. Investments today will have political benefits in the future. As a result of those investments, there are people, companies, and communities with a stake in a decarbonizing future. Those people, companies, and communities have made significant investments in that decarbonizing future, and can see themselves benefitting from it. This is the "green spiral" concept that my collaborator Nina Kelsey at George Washington University <u>has developed</u> (others call it a "green vortex"). Green spirals refer to the positive feedback loop that exists between investments in environmentally-friendly technology, and the increased political support for further environmental policies that those investments create. Our research team has documented this <u>dynamic</u> in the context of climate policy both in <u>California</u> and <u>internationally</u>.

Thus, the IRA will have direct payoffs – advancing decarbonization in the next decade through investments – and indirect payoffs – increasing future political support for more ambitious climate policy. So why only "two and a half cheers"? Well, while hundreds of billions of dollars is a great investment, it likely is only a fraction of what we'll need to do ultimately, and time is of the essence. So the best way to improve the IRA would be to increase its size significantly – though that is no reason to oppose the IRA's passage as it is.