

## **Policy Memo: The Conservative Case for Clean Energy Tax Incentives**

**To:** Congressional Leaders and Policy Advisors (Republican Conference)

**From:** Neil Auerbach, CEO of Hudson Sustainable Group<sup>1</sup>

**Date:** March 17, 2025

**Subject:** Retaining Clean Energy Tax Incentives in the Inflation Reduction Act (IRA) – A Conservative Case for Economic Growth, Energy Security, and Fiscal Prudence

---

### **Executive Summary**

The Inflation Reduction Act's (IRA) clean energy tax incentives have driven job growth, private investment, and energy innovation across America, particularly in conservative-led states and districts. These incentives deliver high returns on investment, increase energy supply amid rising demand, bolster U.S. energy independence, and spur private-sector innovation. In doing so, they are reindustrializing America, bringing manufacturing and trade jobs back to rural districts. As Congress works to rein in federal spending, it is crucial to distinguish between wasteful expenditures and high-impact investments.

Rolling back these tax credits would undercut American industries, disproportionately impact Republican districts, and cede ground to foreign competitors. Instead, Congress should preserve these incentives—widely supported across party lines—and cut truly wasteful programs. This memo outlines the economic, strategic, and conservative rationale for maintaining clean energy tax incentives, rebutting common criticisms while reinforcing that supporting clean energy is fully aligned with MAGA principles.

---

### **Examining the Source of Angst Among Conservatives in Supporting Clean Energy and Climate Change Policy**

The progressive left has been most vocal in advocating for policies that both combat climate change and promote clean energy. The knee-jerk reaction among conservatives has been to reject full-throated support for policies that combat climate change and support clean energy. Conservatives have been challenged to formulate a coherent conservative policy response. The root cause of conservative ambivalence in addressing these issues is that the progressive left has intertwined their climate change agenda with the larger woke agenda, which many on the right perceive as anti-Western, anti-American, anti-human and anti-freedom. Conservatives rightfully grapple with the crisis mentality that pervades progressive attitudes about climate change policy, which makes demands on Americans to sacrifice many elements of their lifestyle while appearing to condone rampant CO2 emissions coming from China, which emits nearly 30% of the world's CO2, permitted within the flawed construct of the Paris Climate Accords. Over the past two decades China's CO2 emissions has more than tripled while CO2 emissions in the US has dropped over 20 percent. Conservatives rightfully detect hypocrisy from the progressive left's willingness to excuse higher CO2 emissions from "developing nations" under the Paris Climate

---

<sup>1</sup> Mr. Auerbach is also a senior advisor to the American Conservation Coalition.

construct while decrying global temperatures rising toward the feared 1.5C mark. This redistributionist mindset is antithetical to conservatives and elicits an instinctively negative reaction.

Conservatives perceive climate change progressives as harboring anti-human sentiment. Whether that sentiment is widely held among progressives becomes irrelevant when hearing John Kerry assert that continued human population growth is “not tenable.” Climate change progressives lose potential allies on the conservative right when advocating for banning the internal combustion engine, fossil fuels and even the consumption of meat. NIMBY attitudes appear to proliferate on the progressive left that make it hard for conservatives to join them in common cause on climate issues. For some reason, domestic extraction of minerals critical to clean energy manufacturing are vigorously opposed by the progressive left, but extraction of those same minerals from countries with more lax environmental standards are accepted as a necessary evil.

As conservatives *and* environmentalists, we vigorously oppose the theology of climatism promoted by the progressive left, but at the same time embrace the legitimate concerns around the impact that rising CO2 emissions is having on planetary health. We welcome open debate on the risks posed by rising CO2 emissions and believe that policies to curb emissions need to be mindful of competing policy priorities. We believe in American exceptionalism, freedom of choice, American energy dominance, society’s need for fossil fuels, *and* our need to continue to decarbonize our economy in market-driven ways, including through the reintroduction of nuclear energy as a viable clean energy technology to meet the growing need for electricity. We believe that conservatives have a unique opportunity to shape a very different narrative about how to support clean energy and decarbonization that is more balanced, less alarmist and more attractive to America’s youth who want to inherit a planet in better shape than their parents found it. In accepting this challenge, we reject the broad painting of clean energy incentives as part of a “Green New Deal.” That label belongs only to those who embrace the woke underpinnings of climatism and has nothing to do with the agenda we promote, that of responsible and prudent conservative environmentalism. With this background in mind, we are pleased to share our views on the impending debate over the fate of clean energy tax incentives contained in the IRA.

---

### **Clean Energy Incentives Under Scrutiny**

The IRA allocated approximately \$369 billion<sup>2</sup> toward clean energy production, manufacturing, and adoption through tax incentives. These include production and investment tax credits for clean power, electric vehicles, and advanced manufacturing. Although no Republicans voted for the IRA due to unrelated provisions, including prescription drug price controls and increased IRS funding, its energy tax provisions align with conservative priorities.

With Republican control of Congress and the White House, calls have been made to evaluate and refine these incentives to ensure they are aligned with the Trump 2.0 agenda. The American Conservation

---

<sup>2</sup> This figure has been the subject of considerable debate, with many believing that the actual cost of the clean energy tax incentives is considerably higher. However, as will be discussed below, cost estimates of the IRA clean energy tax incentives do not take account of the massive influx of private investment into the sector, spurring job creation and creating ripple effects throughout the economy. The translation of increased private sector investment into increased federal tax receipts has not been definitively measured. Further analysis may reveal a much smaller revenue impact of these tax incentives on the federal deficit.

Coalition, a grassroots coalition of 65,000 young conservative environmentalists, advocates maintaining the clean energy tax provisions while trimming unnecessary spending. These provisions fuel reindustrialization through private sector investment and job creation—predominantly in Republican districts—and advance American energy dominance, as reinforced by the recent Executive Order establishing the National Energy Dominance Council.

At a time of skyrocketing energy demand, these incentives help reduce electricity costs by accelerating the development of new clean energy generation facilities. Their success has led to a shift in perspective among conservative lawmakers, with 18 House Republicans recently urging leadership to preserve the IRA’s energy tax credits, citing their economic benefits and alignment with conservative values.

While the Biden Administration overemphasized climate change and attempted to suppress fossil fuel innovation, a truly “all-of-the-above” energy policy—including clean energy—ensures U.S. energy security. The newly established National Energy Dominance Council underscores the need for continued expansion of domestic energy from all sources.

We are entirely consistent with this MAGA agenda by recommending maintaining these tax incentives while making targeted cuts elsewhere, which we discuss below. Doing so is a fiscally responsible investment in American energy competitiveness, positioning the US to achieve global energy dominance across all relevant energy sources.

---

## **Economic and Strategic Benefits of Clean Energy Tax Incentives**

### **Historic Job Creation and Manufacturing Growth**

The IRA’s clean energy tax credits have catalyzed rapid job creation and reindustrialization:

- Over **150,000** clean energy jobs were added in the first full year of implementation of the IRA’s tax incentives.
- BW Research projects **600,000 new jobs** across 45 states due to tax incentives. The American Clean Power Association estimates that another **3.5 million new jobs** will be created over a 10 year period following enactment of the IRA.
- Nearly **60% of IRA-funded projects**—representing **85% of investment and 68% of job creation**—are in Republican-led districts.
- The American South, including Texas, Alabama, Kentucky, Oklahoma, and West Virginia, is leading in new clean energy jobs.
- Clean energy manufacturing, installation, and generation are **revitalizing rural and industrial communities** across the nation.

### **Private Investment Flooding into Communities**

The IRA’s incentives have attracted over **\$200 billion in private investment** in just the first year post-IRA enactment. According to a study done by MIT and the Rhodium Group, every **\$1 in federal incentives leveraged \$5.5 in private capital**. A similar leverage effect is estimated by the American Clean Power Association, which appears to conclude that \$740 billion in tax incentives will result in \$3.8 trillion in

private sector spending, a ratio of **5.1:1**.<sup>3</sup> Whichever estimate is more accurate, the evidence is clear that the clean energy tax incentives have set off a virtual investment boom that will benefit the US economy and undoubtedly result in significant increases in federal tax receipts to offset a sizable portion of the cost of those incentives. These investments expand local tax bases and stimulate secondary economic growth through suppliers, services, and housing demand. The economic stimulus triggered by the passage of the IRA clean energy tax incentives cannot be ignored by the White House and Congress as they craft their budget bill through reconciliation. Ensuring that the US enjoys robust economic growth is of paramount importance to voters of every political persuasion, from whichever sector of the economy that growth comes.

### **Lower Energy Costs and Consumer Benefits**

By increasing energy supply, clean energy incentives drive down electricity costs. Wind and solar, now among the cheapest energy sources, further reduce utility bills. Households utilizing IRA incentives for energy-efficient upgrades, rooftop solar, or EVs are seeing lower energy expenses. Additionally:

- Growing clean energy supply chains in the U.S. drive further **cost reductions**.
- Solar and wind are increasingly cost competitive, according to a recent Lazard report on levelized cost of energy; costs should continue to come down as market penetration increases and domestic supply chains mature.

Increasing the supply of all energy sources are critical to meeting soaring demand from electrification and the exponential growth of data centers, mitigating the risk of energy price inflation.

### **Energy Independence and National Security**

Energy security is national security. The IRA clean energy tax incentives promote reindustrialization and energy security for the US by:

- Incentivizing onshoring of manufacturing of clean energy supply chains, reducing dependence on foreign suppliers.
- Increasing the supply of domestic energy from renewable sources reduces the risk of geopolitical shocks as the renewable resources themselves are all domestic.
- Encouraging innovation, e.g., encouraging onshoring of battery and microelectronics production, further encouraged by the CHIPS Act.

---

<sup>3</sup> Over 340 new major projects have been announced since the IRA's passage. Some examples of the investment boom include:

- **QCells' \$2.5 billion solar panel expansion** in Dalton, Georgia, creating 2,500 jobs.
- **Toyota's \$13.9 billion EV battery plant** in North Carolina, adding over 10,000 jobs.

Furthermore, the IRA clean energy tax incentives support a **diverse array of energy resources**, including renewables, nuclear, hydrogen, and carbon capture for fossil fuels, ensuring the US can generate more of its own energy and be less vulnerable to global price shocks.

### **Innovation and Market-Driven Emissions Reduction**

Rather than imposing mandates, the IRA's incentives use **market-based solutions** to spur innovation. Companies compete to develop efficient clean technologies, from small modular nuclear reactors to advanced batteries. This approach:

- Aligns with **free enterprise**, driving private investment without overregulation.
  - Maintains **U.S. industry competitiveness** in a global economy shifting toward low-carbon solutions.
  - Reduces emissions **through economic growth, not government mandates**.
- 

### **Alignment with Conservative Principles**

Preserving clean energy tax incentives upholds core conservative values:

- **Reindustrialization and Job Creation** : Supporting private-sector job growth in manufacturing, construction, engineering, and skilled trades across America.
  - **Fiscal Responsibility**: A high return on investment, leveraging private capital at a 5.5-to-1 ratio, generating tax revenues from economic growth.
  - **Free Markets & Limited Government**: Letting the market—not mandates—determine the best energy sources.
  - **Energy Security & National Strength**: Expanding **U.S.-led innovation** in energy independence and military readiness.
  - **Environmental Stewardship**: Incentivizing cleaner energy without burdensome regulations.
- 

### **Strategic Recommendations**

1. **Preserve and Extend Key Clean Energy Tax Incentives**: Maintain current IRA tax credits to ensure long-term investment certainty.
2. **Maintain Market-Driven Incentives**: Keep all qualifying energy technologies eligible for credits, promoting competition.
3. **Repeal the EV credit**: The EV tax credit is \$7,500 for new vehicles and \$4,000 for used vehicles. These credits can and should be repealed. EVs are consumer products, not power plants, despite the claims of others. If a homeowner wants to install a battery in their home, they can do so and claim a tax credit on the cost of the battery. An EV, however, contains a battery, but reflects a consumer choice as to which vehicle to buy. Consumers buy EVs to drive, not to power their homes. EV credit repeal is consistent with our values and will not undermine

environmental stewardship.

4. **Tailpipe emissions rules:** The Biden-era tailpipe emissions rules, finalized by the EPA on March 20, 2024, is viewed widely as a de facto ban on the sale of both gas-powered and hybrid vehicles. The rule increasingly limits the amount of tailpipe emissions over time so that, by 2032, more than half of all vehicles sold in the US would have to be EVs. Some have estimated that over \$300 billion can be raised by Congress eliminating this rule in legislation.
5. **DOE Clean Energy Grants and Loan Program:** We welcome the efforts of DOGE to streamline Federal Government spending. DOGE should examine the allocation of grant funding and loans, including money allocated to support clean energy initiatives, to ensure that the money is spent wisely and that there is no waste, fraud or abuse. One possible area for reform would be to require a determination by the Secretary of Energy that monies allocated either through outright grants or via the Loan Program either support the advancement of technology research or address a clear market failure for which Government intervention is required. It is not clear whether loans either guaranteed by the DOE or made directly by the DOE could have been provided by the private sector rather than the federal government.
6. **Permitting reform:** By preserving energy investments and reforming burdensome environmental regulations, we can reindustrialize America and achieve energy abundance.

---

## Conclusion and Path Forward

Conservatives have a prime opportunity to champion clean energy tax incentives as a **pro-growth, pro-jobs, pro-American energy** policy. Cutting these incentives would undercut reindustrialization, job creation, economic expansion, and energy security—disproportionately harming Republican-led districts. Instead, Congress should refine these tax credits to maximize efficiency while ensuring that funds serve U.S. economic and strategic interests.

By **retaining and optimizing** these incentives, conservatives can drive America's clean energy boom while reinforcing **free-market innovation, fiscal prudence, and national strength**. This strategy aligns with the MAGA agenda of reindustrialization, **energy dominance, economic leadership, and smart governance**—ensuring that America remains prosperous, free, and secure for generations to come.