Inflation Reduction Act and Bipartisan Infrastructure Law:
Investments in Energy Communities

Working people too often feel the pain of shifts in technology. As the United States transitions to a new, cleaner economy, we must not leave workers or communities behind. The Inflation Reduction Act and Bipartisan Infrastructure Law (BIL) make critical investments in workers and communities experiencing the economic impacts of energy transition as part of a broader set of investments to build a clean, prosperous, and equitable economy for all.

A transition that is fair for workers and communities isn't something that will happen organically. We have to choose to keep our communities and workers whole and to invest in the economic development and diversification of regions impacted by energy transition. The best approach is one that prevents economic disruption and employment loss. The Inflation Reduction Act and BIL provide unparalleled investments in an equitable transition for those who need it most.

Bipartisan Infrastructure Law

In 2021, Congress passed the Infrastructure Investment and Jobs Act, now known as the BIL. The law contained major investments in environmental remediation while encouraging new private investment in coal communities.

Opportunities on Former Coal Mines

The Abandoned Mine Land program, originally established in 1977 to reclaim and remediate coal mines abandoned prior to that year, was appropriated $11 billion for annual formula grants over 15 years to state and Indian Tribes. These abandoned coal mines are dangerous, polluting, and hinder economic well-being. Reclamation projects clean up pollution, create thousands of direct reclamation jobs, and—when paired with economic development strategies—provide a basis for long-term economic opportunity in coal communities. States are also required to prioritize the hiring of former coal workers for reclamation jobs and pay prevailing wage.

While the $11 billion appropriation in BIL is expected to sufficiently fund the majority of the remaining reclamation needs in the United States, experts estimate almost $20 billion more will be required to clean up the rest.[1] Fortunately, the law also included a much needed extension of the Abandoned Mine Land fee on coal companies to help reclaim remaining sites.

The BIL also designates $500 million for clean energy demonstration projects on current or former mine land. These grants are not limited to coal mines or to the Abandoned Mine Lands described above. As directed by Congress, the U.S. Department of Energy (DOE) will fund up to five total projects. At least two of them must be solar energy production sites. Priority will be given to projects that create jobs in low-income areas and communities with dislocated energy workers.

Economic Development in the Appalachian Region

The BIL also reauthorizes and provides $1 billion for the Appalachian Regional Commission (ARC). The ARC is a federal-state partnership spanning 13 Appalachian states that provides opportunity for some of the most coal-dependent economies in the United States. The commission provides grants for job and entrepreneurship training, economic development planning, business incubation and industry hub strategies, infrastructure development, and other services that are critical to revitalize and diversify local and regional economies.

The ARC's Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative is focused on supporting communities that have been affected by job losses related to the coal industry. Since 2015, ARC has invested over $368 million in Appalachian communities through the POWER Initiative.[2]

This new source of funding through the BIL boosts the ARC's ability to provide resources to leverage regional partnerships and support efforts, and create and sustain a better economic future for communities in Appalachia—particularly those affected by our nation's energy transition.

Manufacturing Jobs in Coal Communities

The BIL also created the Advanced Energy Manufacturing and Recycling Grants Program, funded at $750 million. The grant program is for clean technology manufacturing and industrial emissions reduction targeted exclusively to coal communities (see Page 3, What is an "Energy Community?").

This program focuses on enabling small- and medium-sized manufacturers to build new—or retrofit existing—facilities to produce or recycle advanced energy products in communities where coal mines or coal power plants have closed. This investment will help establish, expand, or retool clean and advanced energy, vehicle, and technology factories. Priority will be given to low-income areas, and minority-owned businesses. The goal of the program is to bring good-paying manufacturing jobs directly into coal communities.

Inflation Reduction Act

In 2022, President Biden signed the Inflation Reduction Act. The law contains unprecedented investments in domestic manufacturing and clean energy deployment. The law did so while directing major funding to energy communities across the United States, ensuring truly game-changing public and private investments in the years to come.

Clean Energy Tax Credits

The Inflation Reduction Act makes historic investments in clean energy deployment. Through renewed and expanded Investment and Production Tax Credits, the Inflation Reduction Act invests hundreds of billions in new clean energy. These credits can be applied to a diverse set of technologies including solar, onshore and offshore wind, battery storage, and more.

These credits also will deliver good-paying, union jobs. For the first time, high-road labor and domestic content standards are coupled with clean energy tax credits. In order to receive the full benefit of the credits, developers will need to pay prevailing wage and utilize a registered apprenticeship program during the construction of the project.

Congress took a critical step to drive these investments into communities that have been economically dependent on fossil fuels. Projects located in an "energy community" will receive an additional 10% tax credit bonus. This policy is in line with the recommendations the BlueGreen Alliance made in its National Energy Transition Policy Framework, and will provide crucial incentives for clean energy development in energy communities with fossil-fuel based economies that might otherwise fail to attract such investments.[3]

While clean energy projects can receive partial tax credits regardless of location, the additional tax credit bonus is a key incentive to bring good-paying jobs to areas with coal mine closures, coal power plant unit retirements, or a high percentage of workers in the fossil fuel industry. If the energy community is also considered a low-income community, they are eligible to receive an additional 10% tax credit.

Rural Energy Investments

Additionally, the law provides $9.7 billion to the U.S. Department of Agriculture (USDA) for USDA Assistance for Rural Electric Cooperatives. With these funds, USDA's Rural Utility Service (RUS) will make grants and loans for electric cooperatives to purchase renewable energy, purchase renewable energy systems and carbon capture and storage systems, deploy such systems, or make energy efficiency improvements. The funding can also be used for debt relief and other costs associated with terminating the use of facilities operating on non-renewable energy and related transmission assets.

Many of the communities served by rural electric cooperatives rely on coal plants for both electricity and jobs. As coal plant retirements continue, rural communities need investments to maintain reliable, affordable electricity and economic opportunity. USDA funds can help rural electric cooperatives create new jobs in the same communities that experience coal plant closures, and continue to employ the same workers who have kept that community's lights on.

In addition to providing rural electric cooperatives with new loan opportunities, the Inflation Reduction Act builds on RUS's existing loan authority with $1 billion for renewable energy infrastructure loans. The law also makes it easier for electric utilities by requiring RUS to forgive up to 50% of the loan amounts. Funding isn't only limited to cooperatives. Municipal, investor-owned, and Tribal utilities in rural areas are all eligible to take advantage of the new partially forgivable loans.

The USDA Rural Energy for America Program (REAP) received an additional $1 billion to issue competitive grants for the deployment of renewable energy and energy efficiency for rural business and agricultural producers.[4] The USDA has specifically made energy communities eligible for REAP grants. With these funds, USDA can provide grants covering up to 50% of project costs. Individual renewable energy projects can receive up to $1 million, and energy efficiency projects can receive up to $500,000.

What is an “Energy Community?”

Under the BIL and the Inflation Reduction Act, there are two separate definitions of an “energy community.”

The Advanced Energy Manufacturing and Recycling Grants Program created in the BIL and the 48C tax credit established by the Inflation Reduction Act use nearly identical definitions for covered census tracts. For those two programs, eligible projects must be located in a census tract in which:

1. A coal mine has closed since December 31, 1999, or;
2. A coal-fired electricity generating unit has closed since December 31, 2009, or;
3. That is immediately adjoining one of those census tracts.

The Investment and Production Tax Credits under the Inflation Reduction Act use a similar, but broader definition for tax credit bonuses offered to “energy communities.” While the coal mine closure, coal unit closure, and adjacency criteria still apply, the tax credits introduce two additional criteria that will allow more communities to access the credits.
For the tax credit bonus, an “energy community” is defined as:

1. A brownfield site as defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980; or
2. A metropolitan statistical area or non-metropolitan statistical area which:
    - a. has (or, at any time during the period beginning after December 31, 2009, had) 0.17% or greater direct employment or;
    - b. 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas, and
    - c. has an unemployment rate at or above the national average unemployment rate for the previous year, or
3. A census tract in which a coal mine has closed since December 31, 1999, or;
4. A coal-fired electricity generating unit has closed since December 31, 2009, or;
5. That is immediately adjoining one of those census tracts.

Reinvesting and Retooling our Energy Infrastructure

The Inflation Reduction Act also creates a new program within DOE’s Loan Programs Office to help reduce emissions and re-use existing energy infrastructure: the Energy Infrastructure Reinvestment (EIR) Program. Congress provided “seed money” of $5 billion, to be used to cover the costs of underwriting loans, and authorized the DOE to loan up to $250 billion. The reinvestment criteria are broad, including nearly any activity that lowers emissions. This includes everything from reducing emissions from continuing operations to fully redeveloping energy facilities for a different economic purpose. For instance, the loans could be used to remediate a retired coal power plant and use the land and existing infrastructure for clean energy production or manufacturing. Or, a power utility could remediate damaged land from a former coal mine and reuse the area by turning it into a pumped hydro storage facility.

If targeted the right way, this financing could support economic redevelopment in communities impacted by energy transition, explicitly supporting local community benefits and the acceleration of land remediation efforts.

Planning for the Energy Transition

The Inflation Reduction Act also creates a new $5 billion Climate Pollution Reduction grant program at the U.S. Environmental Protection Agency (EPA) for states, municipalities, and Tribes to develop and implement plans to reduce greenhouse gas pollution.

The law provides $250 million for non-competitive grants to be distributed to all states, large municipalities, and Tribes to develop plans for greenhouse gas reductions. Planning grants can be used to engage energy communities that could feel the direct impact of actions to reduce greenhouse gasses. Plans can be broad, and can be used to identify opportunities to leverage federal funding from a variety of sources. Grants can provide necessary resources for planning for an equitable transition that keeps workers and communities whole.

EPA will then competitively award $4.6 billion for the implementation of these plans. These funds can be used for a wide variety of policies, including electric vehicle (EV) charging infrastructure, buildings, transit, natural infrastructure solutions, and more.

Targeting New Manufacturing Energy Transition Communities

The Inflation Reduction Act will support new clean technology manufacturing facilities in energy transition communities with an expanded investment tax credit. The law includes $10 billion for the 48C tax credit, which will support the establishment or expansion of manufacturing facilities to produce solar, wind, battery, electric vehicle, energy efficiency, and other clean energy technologies. The tax credit is also available to a project that re-equips an industrial or manufacturing facility with equipment designed to reduce greenhouse gas emissions by at least 20%.

Of the $10 billion allocated for 48C, $4 billion is reserved for manufacturing investments to boost job growth and economic opportunities in coal communities facing economic hardship from energy transitions. The funding is specifically targeted to communities that have had coal mines shutdown since the end of 1999, coal-fired power units retired since the end of 2009, or are immediately adjacent to those. BlueGreen Alliance research estimates the 48C expansion will create more than 110,000 jobs over the next 10 years.[5] Thanks to the $4 billion set aside, many of these will be created in energy transition communities.

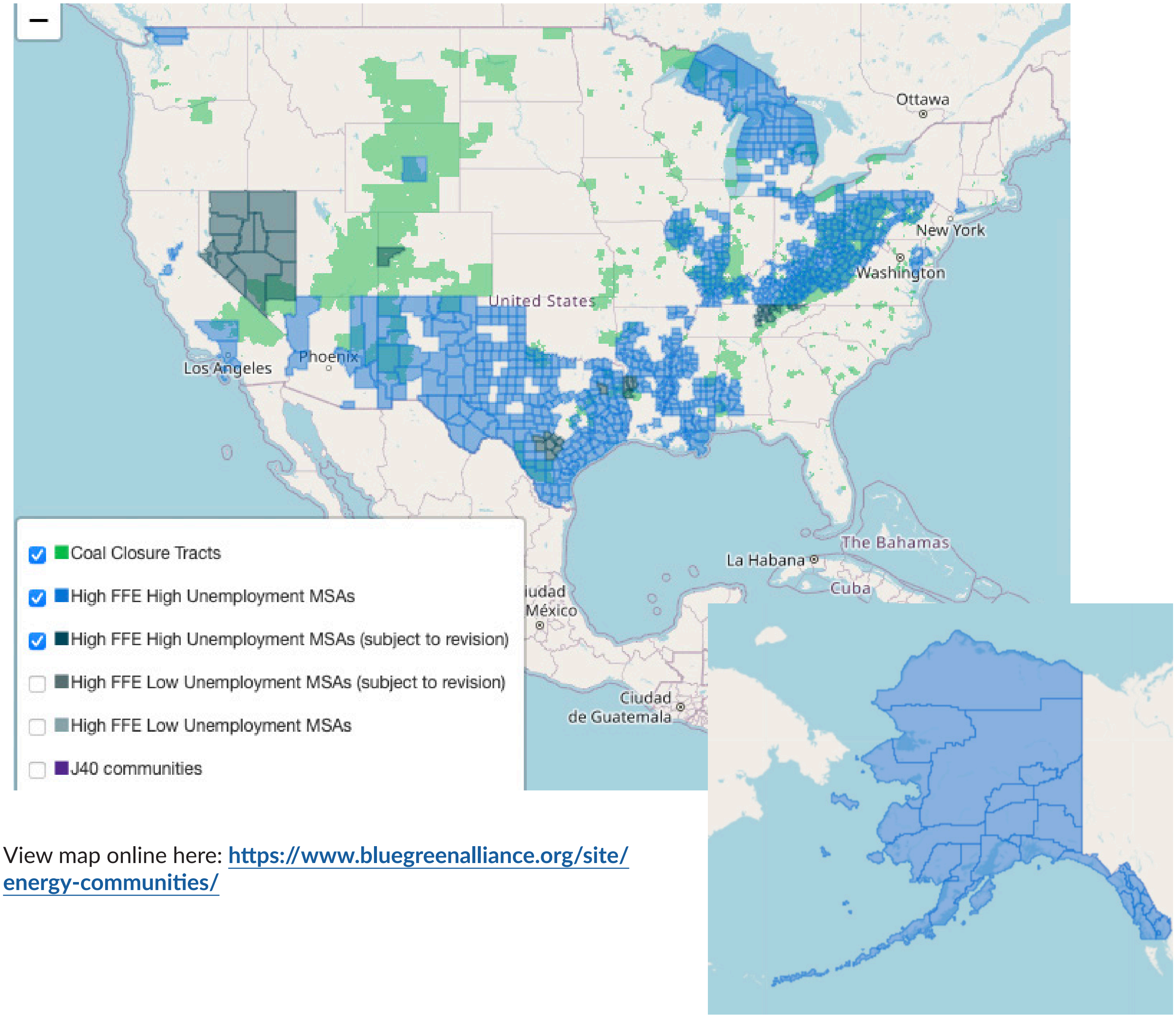
Vital Support for Coal Miners

In addition to driving needed clean energy and manufacturing investments into coal communities, the Inflation Reduction Act permanently extends the Black Lung Excise Tax to maintain the funding that provides critical benefits to miners and families.

Rates of black lung disease among coal miners are increasing, especially in the Central Appalachian coal region.[6] Black lung is a devastating disease with no cure, and miners with black lung are often totally disabled and unable to work or support their families.

The Black Lung Excise Tax supports the Black Lung Disability Trust Fund (BLDTF) and is paid by coal companies at the current rate of $0.55/ton of surface-mined coal and $1.10/ton of coal mined underground. The BLDTF pays for medical benefits and provides a small monthly living stipend to coal miners who are disabled by black lung disease and to their surviving dependents.

In recent years, Congress has provided only one year extensions of the BLDTF, forcing coal miners, black lung advocates, and healthcare workers to expend limited resources on a perpetual fight for the needed funding. That fight is over, thanks to the permanent extension of the BLDTF in the Inflation Reduction Act.



View map online here: https://www.bluegreenalliance.org/site/energy-communities/

Conclusion

Lifting up workers and communities should be a central focus of a cleaner economy. Energy workers have always been the backbone of our economy. Along with their communities, they have dealt firsthand with over a century of boom and bust cycles, union busting, and air and water pollution. But as coal mining jobs continue to decrease, coal-fired power plants continue to shutter, and the world moves away from fossil fuels, energy workers and communities are losing jobs, tax revenue, and union membership. They need and deserve dedicated federal support that builds on community-driven economic development and diversification efforts.

Unionization increases job quality and safety for workers, and through proper implementation of the many BIL and Inflation Reduction Act programs targeted to energy communities, the Biden administration will help grow good union jobs in areas that need it most.

Endnotes

1 Ohio River Valley Institute, *Repairing the Damage: Cleaning up the land, air, and water damaged by the coal industry before 1977*, April 2021. Available online: https://ohiorivervalleyinstitute.org/wp-content/uploads/2021/04/AML-Report-Dixon-ORVI-V1.1.pdf

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4 USDA, "Biden Harris Administration Announces Availability to Help Farmers, Ranchers and Rural Businesses Invest in Renewable Energy Systems and Energy-Efficiency Improvements, March 31, 2023. Available online: https://www.usda.gov/media/press-releases/2023/03/31/biden-harris-administration-announces-availability-1-billion-help

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6 U.S. Department of Labor, "Rising Rates of Black Lung Underscore Need for Strong Federal Black Lung Program," March 17, 2023. Available online: https://blog.dol.gov/2023/03/17/rising-rates-of-black-lung-underscore-need-for-strong-federal-black-lung-program

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