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The sustainability business
case just got stronger

Recently enacted legislation fundamentally changes what makes business sense for green initiatives and investment

Sustainability-minded leaders have frequently had to balance what they think is best for the planet with what's best for shareholders . . . and too often, the economics have not supported sustainability projects. Investment in green innovation and infrastructure has long been risky, with a shaky business case often undermining the moral case.

Recent federal laws have changed the equation in the United States. Three packages—the Infrastructure Investment and Jobs Act (IIJA), the CHIPS Act, and especially the Inflation Reduction Act (IRA)—have fundamentally altered the calculation of *what makes business sense*, strengthening the sustainability business case for organizations across sectors and aligning business objectives with decarbonization goals.

The influx of funds and tax incentives, aiming to influence behavior with carrots rather than sticks, is beginning to change both priorities and mindsets, making green strategies a competitive as well as a social imperative, boosting hard-to-abate sectors' efforts to decarbonize and helping them transition workers to stable jobs in renewable energy.¹ The focus is shifting from *risk mitigation* to *opportunity capture*.

We've long seen leaders, however concerned they are about the impacts of climate change,² struggle to surmount the barrier of high upfront investment costs and uncertain ROI. The IRA in particular aims to address that challenge by investing roughly US\$400 billion toward reducing pollution and expanding clean energy, converting many large-scale, cost-intensive corporate sustainability and equity efforts into financially viable investments.³ The IRA's renewable power and technology incentives, while massive on their own, aim to catalyze trillions of dollars more in private-sector spending and investments for the low-carbon transformation of the world's largest economy.⁴

We view this shift as both exciting and critical in helping the United States meet its targets in reducing carbon emissions. The United States—and the world—cannot achieve net-zero⁵ carbon emissions without corporate leaders driving new technologies and reengineering end-to-end value chains, pushing to decarbonize industrial processes, streamlining energy usage, and eliminating waste. These laws' combined impact can be transformative for R&D plans, for tomorrow's business models, and for the effort to address climate change—if, that is, leaders respond quickly to take advantage of opportunities that didn't exist a year ago.



What's in the legislation?

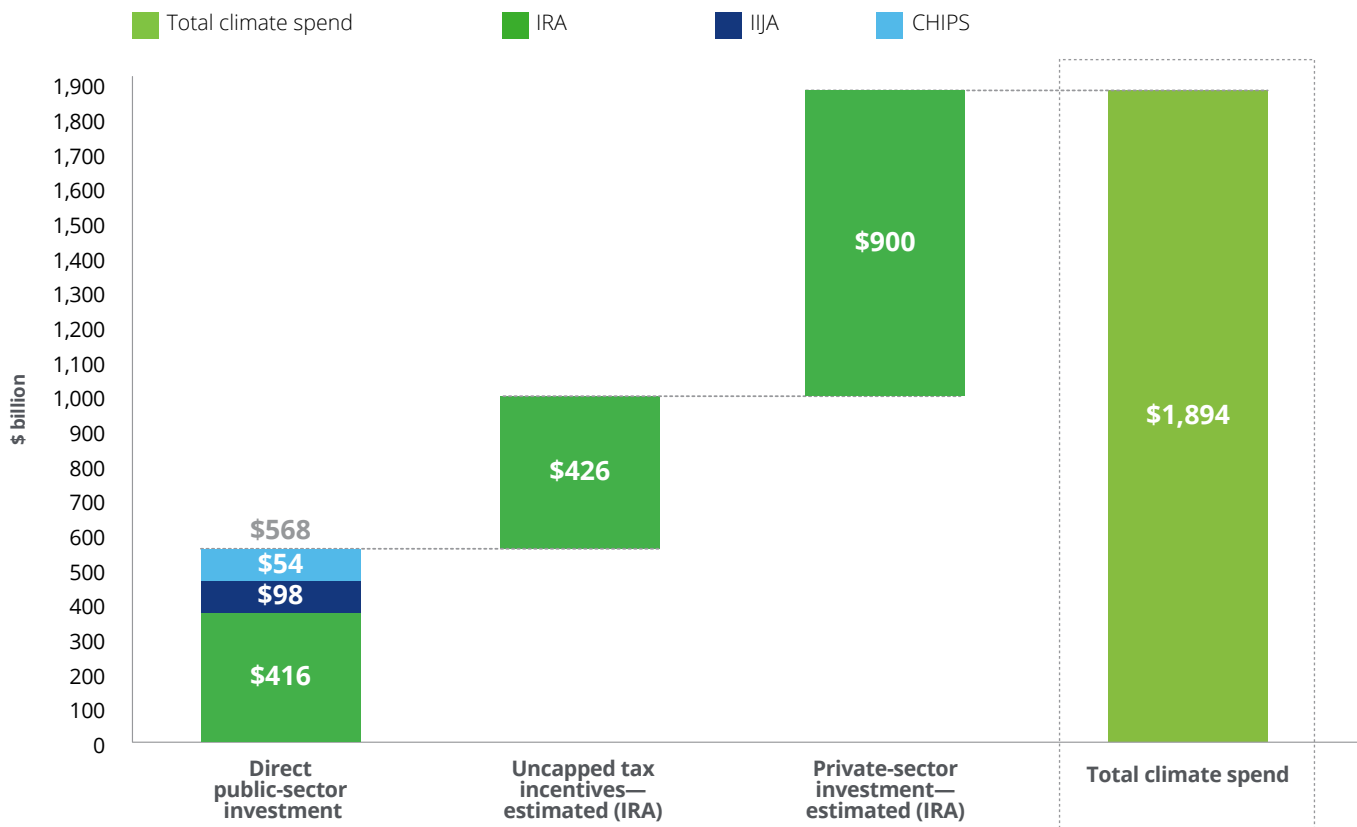
The IIJA, signed into law in November 2021, invests billions in encouraging clean energy, including charging infrastructure for clean vehicles.⁶ While the CHIPS and Science Act, signed into law in August 2022, primarily aims to shore up the American semiconductor industry, it also authorizes billions for climate-related R&D that would help accelerate the decarbonization technology on which the world may increasingly come to depend.⁷ And the IRA, signed into law soon after, boosts investment certainty by extending the life of production tax credits for electricity generated from renewable energy⁸ and offering energy companies tax credits to boost clean technology and financial support to transition plants away from fossil fuels,⁹ among other investments.

Together, the three laws send a clear signal to corporate leaders that the United States has developed a national industrial policy aimed

at catalyzing large-scale moves toward decarbonization *now*, with government helping to catalyze and backstop green investment.¹⁰ And the dollar figures in the legislation are hardly the final word: Available funds could grow in the coming months and years, depending on how lawmakers and agencies implement policies, how investors mobilize private capital, whether the permitting process is reformed,¹¹ and whether states follow suit by further incentivizing sustainability efforts.¹²

How consumers and organizations deploy tax credits will be key. For instance, the IRA's credits for clean vehicles and zero-carbon electricity are uncapped, meaning that businesses and consumers may tap hundreds of billions of dollars more than lawmakers originally estimated.¹³

Deloitte analysis suggests more than \$1.8 trillion in climate spend over the next 10 years



Note: CHIPS and Science Act funding is authorized, but not fully appropriated. Congress will have to appropriate these funds for investment to be realized.

Sources:
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 CHIPS and IIJA direct public-sector investment data: RMI, [Congress's climate triple whammy: Innovation, investment, and industrial policy](#)
 Uncapped tax incentives and private-sector investment data: [The Atlantic, Climate economy is about to explode](#)

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Provisions offer opportunities for a wide range of organizations in every sector—for instance, boosting hydrogen production, battery recycling, and domestic manufacturing of clean tech components. The IJJA's sizable investment in power modernization—new transmission lines, power storage, smart grid development, and more—makes many initiatives far more financially viable than they would have remained without these incentives.¹⁴ Even tax-exempt entities such as universities can take advantage by boosting their own energy efficiency and, for instance, by offering space and infrastructure to contribute to a national electric vehicle charging network. An extended time frame allows long-range planning, with funding stability helping map out return on investment well beyond the usual three- or five-year plan.

That said, noting that efforts are ongoing and growing is not to suggest a lack of urgency in making investment decisions and new moves toward decarbonization. Corporate leaders should rapidly strategize and execute to solve—or get around—the potential obstacles between policy and practice;¹⁵ whether materials shortages, congested transmission lines;¹⁶ or permitting roadblocks that threaten to keep companies, state and local governments, and other entities from quickly launching necessary projects.¹⁷ The creation of opportunities means new entrants in every ecosystem competing for resources and funding.

And, of course, the seeming inevitability of future supply chain crises¹⁸ demands immediate action.



The big picture

The funding and incentives will make it easier for leaders to participate in systems-based approaches to combating climate change, collaborating with competitors, nonprofits, and governments in broad coalitions aiming to remake the global economy to move toward a low-carbon future.¹⁹ The effort to achieve net-zero demands a broad, collective campaign seeking ambitious, effective, system-based, real-world solutions—and for the first time, with a legislative assist, it's possible to see such a campaign taking shape.

The US government has delivered the funding necessary for organizations to meaningfully contribute to the nation's effort to limit global warming to 1.5° Celsius;²⁰ analysts estimate that the IRA will reduce annual emissions in 2030 by an additional 1 billion metric tons.²¹ Now it's up to leaders—and fortunately, it's more exciting to discuss new opportunities than to avoid the ire of regulators and/or consumers.

With tax investments for energy companies to help transition plants and employees to renewables and green jobs,²² employers will likely have an easier time offering effective workforce training and taking care of workers in industries based on fossil fuels.²³ The IRA includes equity-related provisions such as tax credit bonus rates for certain climate-related investments, rewarding employers that meet prevailing wage and apprenticeship standards and invest in disadvantaged communities.²⁴

Over the coming weeks and months, we'll be exploring the IRA, IIJA, and CHIPS Act and their impact on a wide range of sectors, with input from thought leaders in touch with executives' top questions and concerns. We'll be looking at what the coming wave of investment and incentives means for leaders in the auto industry, life sciences, financial services, telecommunications, consumer goods, health care, and more. With recently enacted legislation offering billions in tax credits, tax leaders can play a central role in directing investment and R&D. And government agencies will likely face fresh challenges in working with companies seeking to take advantage of newly available resources.

In the short term, leaders can work toward strategies taking advantage of this transformative legislation to rethink plans, processes, and even business models. For example, organizations outside manufacturing, or that lack vehicle fleets that can go electric, can still use the IRA's tax credits directly or monetize them. There's a lot to consider and plan.

What makes business sense for companies has changed. But no one should lose sight of the bigger picture—the all-important effort to fight the damaging effects of climate change. Competition is integral to business, but we really are all in this together.



Where to look first

Agile organizations already committed to decarbonization may be able to seamlessly leverage the funding in the Inflation Reduction Act in particular to move forward with green initiatives. Large legacy incumbents will, naturally, take more effort to rethink value chains and energy sources. Both can tap a rich set of tax incentives, with countless available opportunities.

- The IRA presents options for monetizing tax credits to adopt clean energy: either receiving direct rebate payments from the government or allowing transfer of credits to third parties.
- Leaders should approach these credit opportunities broadly, beginning with planning questions such as *Is the company currently or prospectively investing in green manufacturing, EVs, or charging stations?* and *Are investment strategies on track to reduce carbon emissions?* The answers—including whether investments meet the IRA criteria—will help determine which credits to focus on.
- Organizations can begin planning and evaluating which IRA credits are most applicable and advantageous, based on sector, business model, and investing and sustainability strategies.

Endnotes

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