



To: Interested Parties

From: Sam Ricketts, Evergreen Action Co-Founder

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RE: **6 Key Climate Investments that must be in Budget Reconciliation**

Last month, President Joe Biden and several U.S. senators reached agreement on a framework for bipartisan infrastructure legislation that, simply put, fails to confront the climate crisis. It [does not contain](#) the transformational investments required to avert climate catastrophe—nor the bold vision that President Biden promised Americans and the [world](#) to center clean energy, environmental justice, and investment in climate solutions at the heart of economic recovery and growth. As [scorching heat waves](#) break records and take lives across the United States, and as Americans prepare for another ugly climate disaster season of wildfires and hurricanes, we need President Biden and Democrats in Congress to meet this moment with bold action for climate, jobs, and justice.

Fortunately, President Biden, House Speaker Nancy Pelosi (D-CA), and Senate Majority Leader Chuck Schumer (D-NY) [recognize](#) that the bipartisan infrastructure framework falls short on climate, and have [committed](#) to simultaneously advance bold climate investments through “budget reconciliation” legislation this summer. Senior White House officials Gina McCarthy and Anita Dunn released a [memo](#) on June 29 in which they emphasize that the bipartisan framework “leaves out critical initiatives on climate change,” and commit to working with “with Congress through the budget process to pass additional legislation that will position the U.S. to combat climate change, create good-paying, union jobs, and win the clean energy future.” That memo points to 3 core climate policies, in particular, that are central to President Biden’s [American Jobs Plan](#) (AJP) but were excluded from the infrastructure deal. These are a good start, and there’s much more to get done. This is Congress’ first chance in over a decade to make full-scale



progress against climate change. And next time, if there even is one, it will be too late.

As Congress begins its work on budget reconciliation legislation in this critical month, this Evergreen memo outlines how lawmakers can fulfill the 3 items identified in the McCarthy-Dunn memo:

- a Clean Electricity Standard (CES);
- Clean Energy Tax Incentives; and
- a Civilian Climate Corps (CCC).

This memo also identifies 3 other areas of critical climate investments that Congress must address in reconciliation:

- meaningful investments in environmental, economic, and climate justice;
- greater funding for clean infrastructure and manufacturing; and,
- ending fossil fuel subsidies.

How Congress Can Pass the 3 Policies in the McCarthy-Dunn Memo

1. Clean Electricity Standard (CES)

A federal CES, or a similar policy that fits with budget reconciliation, is necessary to achieve 80% clean electricity by 2030 and put the country on a path to meet President Biden's important commitment to 100% clean power by 2035. Clean electricity is the [backbone](#) of bold nationwide climate action, and there are a number of ways to [advance this policy](#) goal consistent with budget reconciliation. Cleaning up the power sector is affordable and technologically feasible, and would create approximately 500,000–1,000,000 jobs over the coming decade, according to a recent meta-analysis from [Energy Innovation](#). [Additional models](#) have shown that a CES could boost public health by eliminating air pollution—saving 100,000 lives by 2050 and avoiding \$1.7 trillion in health and environmental costs. It would also deliver approximately half of the 50–52% reduction in domestic economy-wide greenhouse gas pollution by 2030 that the president put forward in April in the U.S. Nationally-Determined



Contribution (NDC) to the Paris Climate Agreement. The Biden Administration has [repeatedly reiterated](#) its commitment to passing a CES or CES-like policy in [budget reconciliation](#).

- **Clean electricity payment program in budget reconciliation:** A federal investment program could fit within budget reconciliation and mimic the impact of a CES, by incentivizing utilities to use more clean energy and penalizing those that fall short. Such a policy was [proposed](#) in the Senate Budget Committee's initial fiscal year 2022 (FY22) budget framework. A clean electricity payment program would use federal dollars wisely to achieve results: ensuring an affordable transition to 80% clean electricity by 2030 and reducing greenhouse gas pollution by over 80%, with massive reductions in nitrogen oxide and sulfur dioxide pollution. It would ensure investments in good-paying jobs building the clean energy transition in every region of the country.
- Complementary **power sector investments** are also necessary for a just, equitable and effective path to 100% clean electricity, and must simultaneously be passed in budget reconciliation. Those include clean electricity tax incentives; funding for EPA air monitoring, as well as updating and enforcing Clean Air Act standards to drive targeted pollution reductions in environmental justice communities; forgivable hardship loans for rural electric cooperatives to retire fossil fuel power plants and build out clean electricity; Clean Energy Challenge Grants for state, tribal and local governments; and funding for deploying more distributed renewable energy, transmission and smart grid technologies.

2. Clean Energy Tax Credits

Federal tax incentives and rebates for clean electricity, electric vehicles, zero-emission buildings, and clean manufacturing are all critical investments that the federal government must make now to ensure the continued build-out of new technologies that will power America's clean energy transition over the coming decade. These should come in the form of 10-year extensions and expansions of existing tax credits for renewable energy and



electric vehicles, new tax credits for energy storage and transmission, new consumer federal rebates and tax incentives for electric appliances. Congress must also advance tax incentives for clean energy manufacturing and industrial decarbonization, in order to support good-paying jobs in clean and competitive American industries. Each of these federal incentives needs to be made as equitable and accessible as possible—they should be structured as direct-pay grants and refundable tax credits, tied to labor standards, as called for in the AJP, and expanded for projects in disadvantaged communities. President Biden recently [reiterated his commitment](#) to clean energy tax credits during a press conference in front of the White House.

- **Clean Electricity Tax Credits**, in the form of production and investment tax credits (PTC and ITC), are critically important federal policies that will continue to accelerate the build-out of clean energy and maintain renewables as lowest-cost resources. These credits should be extended to additional technologies like energy storage and transmission, restored to their full original value, updated with optionality between the ITC and PTC, tied together with labor standards, and expanded for projects in disadvantaged communities—as called for in Evergreen’s [Roadmap to 100% Clean Electricity by 2035](#) report, and as realized in the [Clean Energy for America Act](#) proposed by Sen. Ron Wyden (D-OR) and advanced by the Senate Finance Committee. These credits would work in concert with a CES-like policy to achieve 80% clean power by 2030, and could help create approximately [600,000 jobs](#).
- The **Electric Vehicle (EV) Tax Credit** is a vitally important tool for decarbonizing the light-duty vehicle fleet—the [most-polluting part](#) of the transportation sector, which is itself the most-polluting sector of the U.S. economy. These credits will also help American manufacturers corner the global market for clean cars that will dominate the 21st century. Congress should eliminate the current cap on manufacturers’ allowable credits and extend it for 10 years. It should also be made refundable or turned into a point-of-sale rebate, such that consumers can receive the money immediately and the benefit is [not dependent](#) on their tax liability. The credit should also be allowed to apply to the



purchase of a used vehicle. And, the EV credit should also be expanded for vehicles built meeting certain pro-worker labor standards, as Evergreen first proposed in its [Clean Jumpstart](#) plan, and also for vehicles that are made in America—two reforms that are contained in the *Clean Energy for America Act*. Extending and expanding the EV credit will lead to [significantly higher](#) deployment of clean cars over the coming decade, per the Rhodium Group. Congress should also extend and improve the 30(C) investment tax credit for alternative fuel vehicle refueling property targeted specifically to support affordable electric charging supply equipment for consumers.

- **Clean buildings rebates and tax incentives** are critical tools in the unprecedented effort that will be required to upgrade and electrify our nation's buildings, which are a significant source of carbon and other air pollution. Congress should provide funding, through the Department of Energy (DOE), for states to implement rebate programs that lower the upfront cost of zero-emission appliances and other electrification technologies, as well as incentivize [whole-home retrofits](#). The AJP proposes federal tax credits for this purpose. However, an [analysis](#) completed by Rewiring America and the Center for American Progress shows that consumer rebates targeted at electrification are more effective at ensuring the technology is affordable to all American households, especially low-income households. Congress should also reform and extend certain tax credits for commercial buildings and affordable multi-family housing, in a new Clean Heating and Cooling Tax Credit, and a Low-Income Housing Tax Credit Deep Energy Basis Adjustment Tax Credit.
- Congress should also prioritize **clean manufacturing tax incentives**, including by advancing those in the [Solar Energy Manufacturing for America Act](#) by Sen. Jon Ossoff (D-GA), and by providing funding above the levels contained in the bipartisan framework for the Section 48(C) Advanced Manufacturing Tax Credit [proposed](#) for reauthorization by Senators Joe Manchin (D-WV) and Debbie Stabenow (D-MI). To help [scale up domestic production](#) of clean electric heat pumps and heat



pump water heaters, Congress should invest in the 45(M) tax credit—or create a similar and effective DOE rebate program for manufacturers. And to assist with industrial decarbonization, Congress should fund the 45(Q) credit, although it should be disallowed for use in additional fossil fuel extraction—as proposed in the [Evergreen Action Plan](#) and in the *Clean Energy for America Act*.

3. **Civilian Climate Corps (CCC)**

President Biden’s proposal for the creation of a [Civilian Climate Corps](#) (CCC) is a unique opportunity to create a bold and popular program that will employ young Americans and catalyze broad enthusiasm for climate action. The Climate Corps would put a generation to work, with a living wage and benefits, training them for stable, good jobs in the clean economy while jumpstarting a nationwide climate workforce mobilization. The CCC remains one of the most [popular](#), exciting components of the American Jobs Plan for young people across the country. The president has proposed \$10 billion for the CCC, and others—from Rep. Alexandria Ocasio-Cortez (D-NY) to Sen. Chris Coons (D-DE)—have called for larger investments.

- Congress should create a **new CCC program** within existing authorizations with two parts: First, a Service Program, wherein the federal government directly recruits and deploys corpsmembers to tackle climate-related projects, in the model of the New Deal-era CCC and AmeriCorps NCCC. And, second, a Grant Program to fund service terms with 130+ existing and new eligible youth and conservation corps organizations throughout the country—leveraging the standing capacity of those organizations and drawing on the relationships they’ve developed in their communities to drive bottom-up project development with local stakeholder buy-in. New CCC service and grant programs were proposed in the [Civilian Climate Corps for Jobs and Justice Act](#), from Rep. Ocasio-Cortez and Sen. Ed Markey (D-MA). The latter program, in particular, can be constructed to handle projects focused on conservation and resilience priorities, as also laid out in the [21st Century](#)



[Conservation Corps Act](#) (from Sen. Wyden and Rep. Joe Neguse (D-CO)), and the [Climate Resiliency Service Corps Act](#) (Rep. Judy Chu (D-CA)).

- Other federal agencies and **existing federal corps programs** can also contribute to this modern-day CCC. More funding should go to recruit and deploy more corpsmembers specifically for climate-related projects. Congress should also provide sufficient funding to ensure that every enrollee in the existing corps is paid a living wage and receives full benefits, including healthcare and an educational award. These programs could include YouthBuild at the Department of Labor, Job Corps' Civilian Conservation Career Centers managed by the U.S. Forest Service, the Public Lands Corps operated by the Depts. of Agriculture and Interior, and others.

3 More Key Climate Investments that Must be in the Reconciliation Bill

1. Justice Investments: Environmental, Economic & Climate

President Biden and this Democratic Congress have before them an enormous opportunity to not only confront the climate crisis but also to invest in building a more just, equitable, and thriving economic future—especially for those communities that have too often been left out and left behind. More than that, President Biden [promised](#) to deliver “the most ambitious environmental justice agenda ever,” and the bipartisan infrastructure framework falls far short of that promise. The budget reconciliation package in Congress therefore must provide more meaningful investments in environmental justice, particularly in Black, brown, Indigenous, and other communities of color and low-income communities that continue to suffer from legacies of toxic pollution, systemic racism, and economic disinvestment, and are increasingly suffering the worst impacts of climate change. Congress must also ensure economic justice for fossil fuel workers and communities that have for decades powered this country’s prosperity—they cannot be left behind in the accelerating clean energy transition. And finally, federal



lawmakers must also demonstrate real American leadership on the international stage with a robust down payment towards global climate justice.

- **Environmental justice** (EJ) must be central to federal climate action, and to legislation that moves through budget reconciliation this year. President Biden's American Jobs Plan flows from his [Justice40 Initiative](#) in that it "targets 40 percent of the benefits of climate and clean infrastructure investments to disadvantaged communities," and it proposed a range of critical EJ investments. While the bipartisan infrastructure framework would include investments in some EJ priorities, like Superfund cleanup and clean water infrastructure, that plan falls short of the full suite of investments that are necessary to truly meet this moment. In reconciliation, Congress should provide more funding for those programs, as well as funding for EPA enforcement, affordable housing, healthy ports, diesel bus replacement, home weatherization, EJ Small Grants, and a range of federal investment needs that have been identified by EJ communities themselves, such as those participating in the [Equitable & Just National Climate Platform](#), and that are necessary to fulfilling the letter and spirit of Justice40. Furthermore, critical to the federal effort to target investment to disadvantaged communities is the need to define and identify those communities. This calls for greater resources for a modern, nationwide [Equity Map](#), like the [Climate and Economic Justice Screening Tool](#) begun at the Council on Environmental Quality (CEQ), that should track community-level data on environmental exposures and health, economic, demographic, and social vulnerabilities.
- Federal lawmakers must also prioritize **economic justice for energy workers** and communities that have been or remain deeply intertwined with the fossil fuel economy. President Biden recognized this in proposing a new [Dislocated Workers Program](#) in the AJP. Congress should follow through, with investments in paycheck protection and comprehensive economic security, including pension security, as well as workforce development and educational opportunities for workers



impacted in the energy transition. It should also supply resources for economic opportunity and diversification in these communities. And it should provide immediate funding to [liberate schools and local governments](#) from their reliance on revenues from fossil fuel extraction on public lands, while also permanently decoupling that revenue from state budgets.

- And Congress must keep in mind **climate justice for the global community** as it considers climate investment legislation in 2021. While the U.S. today accounts for only 15% of [worldwide greenhouse gas pollution](#), it is the largest historical emitter and has a responsibility, and an opportunity, to lead the global decarbonization effort. Congress should provide [investments](#) in international climate mitigation and adaptation initiatives, including to the Green Climate Fund and the Least Developed Countries Fund, and for bilateral economic assistance. And Congress should seize the opportunity to invest in international clean energy development initiatives, like the Clean Energy Ministerial, as well as to end U.S. financing for overseas fossil fuel development, including by ending the 2015 “Ex-Im rider” that forces the Export-Import Bank to continue supporting fossil fuel projects.

2. Greater Funding for Clean Infrastructure & Manufacturing

The legislation that Congress advances through the federal FY22 budget reconciliation process must provide investments at the scope and scale necessary to address climate change and the interwoven crises facing the nation. And, while some necessary investments have been put forward as part of the bipartisan budget framework, much more significant funding is required for those areas, and many areas are missing completely. Noticeably absent from the bipartisan framework is any sufficient funding for upgrading residential, commercial, and public buildings. Nor is there any investment in expanding affordable housing stock that is essential for affordable and sustainable communities, as noted in the AJP. Likewise, while the bipartisan framework includes the creation of a federal Infrastructure Financing



Authority, it doesn't meet the full investment vision for a Clean Energy & Sustainability Accelerator. Given their central role in a decarbonized future, and in supporting local communities and good-paying union jobs, greater funding for clean transportation and buildings infrastructure, and clean and competitive domestic manufacturing, in particular, must be featured in reconciliation legislation.

- Investments in **clean, accessible, affordable, and sustainable transportation infrastructure** are necessary to building a just and thriving clean economy. While the bipartisan infrastructure framework includes dollars for public transit, and tips its hat to electric vehicle charging stations and electric bus fleets, much more is needed. Congress should provide more transit investment than is contained in the bipartisan infrastructure framework to truly meet the national need. And it should also invest in federal programs supporting smart growth, pedestrian and bicycling infrastructure, and micro-mobility solutions. Federal lawmakers should invest more fully in electric transit and school bus fleet conversion. And Congress should expand investments in electric vehicle (EV) charging infrastructure—including by allowing EV charging infrastructure at rest stops along federal highways, supporting union job training programs (like the [EV Infrastructure Training Program](#)), and ensuring charging infrastructure is located equitably. Furthermore, the bipartisan infrastructure framework's funding emphasis is on roads and bridges. But throwing more funding into our existing highway system while ignoring its [underlying racist structures](#) and impacts cannot be the path forward. At least [45 million](#) Americans have higher exposure to air contaminants that cause conditions such as reduced lung function, asthma, cardiovascular disease, and premature death because they live within 300 feet of a major transportation site. These impacts fall heaviest where urban planning was shaped by segregation—particularly in [African-American communities](#). President Biden's AJP takes an important step in naming this legacy and proposed a new \$20 billion Reconnecting Communities program to begin to take it on. This full historic investment must be included in reconciliation.



- Congress also must provide money for **buildings and housing**. The American Jobs Plan pledged [\\$213 billion](#) to “produce, preserve, and retrofit more than two million affordable and sustainable” homes. But the bipartisan framework includes insufficient investments in home energy assistance and upgrade programs that can put people to work and ensure more Americans can afford to stay in their homes. The bipartisan framework also includes nothing towards the badly-needed investments necessary to expand affordable housing supply. In addition to the aforementioned tax credits for clean buildings and appliances, Congress should also invest in important federal programs that will upgrade and electrify our nation’s residential, commercial, school and public buildings. The Low-Income Housing Energy Assistance Program (LIHEAP) and the DOE Weatherization Assistance Program (WAP), especially, are critical programs for disadvantaged and underserved communities. Congress should also invest \$13 billion in state, tribal and local government Clean Energy Challenge Grants for buildings, through the Energy Efficiency Conservation Block Grants (EECBG) program, as proposed in the AJP. And it should fund the Department of Housing and Urban Development’s (HUD) Green Retrofit and Lead-Based Paint Hazard Control programs, to ensure more HUD-supported properties are affordable and healthy homes. Also of critical importance, for communities and the climate, are expanded federal investments in housing, such as through the Housing Trust Fund and the Low-Income Housing Tax Credit.
- Congress should provide additional investment in **clean and competitive manufacturing** to create good jobs here at home, and to ensure U.S. competitiveness in the global market for new clean technologies as well as cleaner traditional manufacturing enterprises. This should include creating new and reinvigorating existing federal programs supporting manufacturing and industrial demonstration, like the DOE Loan Program Office, and Advanced Manufacturing Office, and the Department of Commerce’s Manufacturing Extension Partnerships Program. To jumpstart domestic electric vehicle production, Congress should invest



in Section 132 Domestic Manufacturing Conversion Grant Program, the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program, and in Advanced Battery Manufacturing Grants from the 2009 *American Recovery & Reinvestment Act*.

3. Ending Fossil Fuel Subsidies

In addition to providing funding for investments that will build a thriving clean energy economy that works for everyone, Congress must also stop the flow of taxpayer dollars to the fossil fuel corporations that spew toxic pollution into our communities. Currently, the federal government channels roughly \$121 [billion](#) in direct subsidies to the fossil fuel industry annually. This money makes unprofitable projects profitable, and allows these companies to pollute [more](#)—causing death, disease, and catastrophic climate disasters. President Biden committed to ending fossil fuel subsidies in an [executive order](#) and in his FY22 [budget](#) proposal. Now, Congress must follow through, and stop subsidizing the lies and obfuscation from the fossil fuel industry that continues to hamstring desperately-needed climate action.

- Congress should use the reconciliation bill to **repeal all direct fossil fuel subsidies**. The [End Polluter Welfare Act](#) from Senator Bernie Sanders (I-VT) and Rep. Ilhan Omar (D-MN) lays forward a comprehensive roadmap for how to do this, including through abolishing dozens of financial giveaways, updating royalty rates on public lands, and ending federal support for international fossil fuel projects. The *Clean Energy for America Act* also takes aim at terminating many fossil fuel subsidies, and has already garnered the support of all of the Democrats on the Senate Finance Committee. That bill would end federal credits that support enhanced oil recovery, intangible drilling costs, and the use of certain injectants, and close accounting loopholes that allow fossil fuel corporations to evade proper taxes.
- It's also time for Congress to **make polluters pay for the damage they cause**. By the International Monetary Fund's [accounting](#), the American people provide as much as \$649 billion in subsidies to the fossil fuel



industry, once you consider all of the downstream costs of the toxic pollution. One bill aimed to hold polluters accountable is the [Save Our Future Act](#), from Senators Brian Schatz (D-HI) and Sheldon Whitehouse (D-RI). It would force fossil fuel corporations to pay for their air pollution—including carbon, nitrogen oxides, particular matter, and more. This fee would emulate the Superfund taxes that would be reinstated in the bipartisan infrastructure framework, putting polluters on the hook for the pollutants they discharge and using the resulting revenue to provide support for the communities that have been most harmed.

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