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Committee on Oversight and Government Reform
Subcommittees on Economic Growth, Energy Policy, and Regulatory Affairs, and Health Care and Financial Services
Hearing on "Mandates, Meddling, and Mismanagement: The IRA's Threat to Energy and Medicine"
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Summary

- **The costs to the American people of the Inflation Reduction Act's Green New Deal-style climate change provisions are proving to be far higher than the initial Congressional Budget Office projections of about $370 billion dollars. CBO has now doubled its estimate, and others project costs nearing or exceeding $1 trillion dollars by 2032. The ultimate price tag is difficult to predict, as several IRA provisions have no dollar caps or deadlines.**

- **The IRA's damage goes well beyond the dollar outlays. Nearly every one of its subsidized alternative energy sources and technologies creates serious problems that will impose additional costs, including the electric grid reliability issues caused by increased reliance on intermittent wind and solar generation.**

- **The IRA pushes the American people towards energy sources and energy-using technologies most of us don't want. The IRA is lose-lose – first we pay as taxpayers and then as consumers through higher prices and reduced quality and choice. It should be repealed.**

Chairs Burlison and Grothman, ranking members Frost and Krishnamoorthi, and members of this committee, thank you for the opportunity to testify today. My name is Ben Lieberman and I am a Senior Fellow at the Competitive Enterprise Institute (CEI), a non-

partisan public policy organization dedicated to advancing the principles of free markets and limited government. I work in CEI's Energy and Environment Department where I cover a number of regulatory programs at the Department of Energy and Environmental Protection Agency. Prior to joining CEI in 2018, I was a staff member on the House Committee on Energy and Commerce where I also worked on many of the issues before us today.

CEI has been critical of the Green New Deal since it was first advanced in 2019. We were particularly concerned about the burdens its many climate-related measures would place on the American people in the form of costlier energy, transportation, and housing.[1] Unfortunately, our concerns are being realized now that these Green New Deal-style provisions have been incorporated into the badly-misnamed Inflation Reduction Act (IRA) which was enacted into law in 2022.

1. The Rising Costs of the IRA

When the IRA was under consideration by Congress, the Congressional Budget Office (CBO) released cost projections of its energy-related tax credits and other subsidies. At the time, the price tag for the energy provisions in the IRA was estimated at about $370 billion dollars for the ten-year period from 2022 to 2032, and this was the score that informed the debate over the bill.[2]

[1] Daniel Turner and Kent Lassman, "What the Green New Deal Will Cost a Typical Household," Competitive Enterprise Institute, July 29, 2019, https://cei.org/studies/what-the-green-new-deal-could-cost-a-typical-household/.
[2] Congressional Budget Office, "Estimated Budgetary Effects of Public Law 117-169," September 7, 2022, https://www.cbo.gov/system/files/2022-09/PL117-169_9-7-22.pdf.

Only two years after passage, CBO more than doubled this estimate to $786 billion dollars.[3] The latter figure is closer to projections from Goldman Sachs ($1.2 trillion dollars),[4] and the University of Pennsylvania ($1.045 trillion dollars).[5]

A recent Cato Institute report, "The Budgetary Cost of the Inflation Reduction Act's Energy Subsidies," estimates costs in the range of $936 billion to $1.97 trillion dollars for the first 10 years, and $2.04 to $4.67 trillion dollars out to 2050.[6] The Cato report singles out as the costliest provision the production and investment tax credits for clean electricity, led by wind energy but also solar and new nuclear and others. This is followed by the tax credits for the purchase of electric vehicles (EV) and other qualifying clean vehicles as well as the advanced manufacturing production credits. The report notes that the upper bound of these estimates is complicated by the fact that several provisions do not set dollar limits or deadlines. Most notably, the clean electricity tax credits can be used by as many project developers that want to claim them, and they do not sunset until U.S. greenhouse gas emissions have been reduced to 25 percent of baseline 2022 levels – a target unlikely to be met for many decades if ever.

The high and rising costs of the Inflation Reduction Act are all-the-more objectionable given the deceptive title of this bill. The American people were not informed that this was a massive climate bill, and they never agreed to any such thing. The fact that the price tag is

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[3] Alex Muresianu, William McBride "Major Takeaways from CBO's Updated Long-Term Outlook" Tax Foundation, February 13, 2024, https://taxfoundation.org/blog/us-deficit-cbo-budget-economic-outlook/.
[4] Goldman Sachs, "Carbonomics: The Third American Energy Revolution," March 22, 2023, https://www.goldmansachs.com/pdfs/insights/pages/gs-research/carbonomics-the-third-american-energy-revolution/report.pdf.
[5] Penn Wharton, "Update: Budgetary Cost of Climate and Energy Provisions in the Inflation Reduction Act," April 27, 2023, https://budgetmodel.wharton.upenn.edu/estimates/2023/4/27/update-cost-climate-and-energy-inflation-reduction-act.
[6] Travis Fisher and Joshua Loucks, "The Budgetary Cost of the Inflation Reduction Act's Energy Subsidies," Cato Institute, March 11, 2025, https://www.cato.org/sites/cato.org/files/2025-03/Policy-Analysis-992-Update-2.pdf.

likely north of $1 trillion dollars makes this perhaps the costliest example ever of Congressional bait and switch.

2. The IRA is Causing Damage Beyond the Costs

Nearly every alternative energy source and technology favored under the IRA has serious shortcomings that are not likely to go away no matter how many subsidies are given to them.

First and foremost, in contrast to electricity generated from coal, natural gas, nuclear, and hydroelectric, intermittent renewable electricity sources like wind and solar are not reliably available 24/7.[7] Renewables can work in relatively small amounts on a grid dominated by dispatchable sources, but that is definitely not the end goal of the IRA which is to bring about a wholesale transformation towards renewables. More likely, we face a rising risk of blackouts such as the one we recently saw in Spain and Portugal. And battery storage remains an expensive solution, notwithstanding the generous subsidies for it in the IRA.

Despite the critical importance of electric reliability, the conventional sources that provide it must compete against renewables that enjoy the IRA subsidies as well as many state-level mandates, and a point gets reached where the conventional sources are no longer economically viable investments. In the end, ratepayers pay the price.

Beyond intermittency issues, renewables also raise transmission challenges that would cost potentially trillions of dollars more to address.[8] Unlike a natural gas plant that has site flexibility – one can be built just about anywhere there is sufficient natural gas pipeline capacity

[7] Daren Bakst, Jacob Tomasulo, Paige Lambermont, "Why IRA Energy subsidies should be dismantled: A guide" Competitive Enterprise Institute, May 12, 2025, https://cei.org/blog/why-ira-energy-subsidies-should-be-dismantled-a-guide/.

[8] Travis Fisher, "How Subsidies in the Inflation Reduction Act Undermine Transmission Reform," Cato Institute, September 22, 2023, https://www.cato.org/blog/how-subsidies-inflation-reduction-act-undermine-transmission-reform.

to serve it - only certain locations are suitable for wind energy, and they are often not near population centers or served by existing transmission lines. The last thing the American people want is yet another trillion-dollar climate bill, this time one subsidizing transmission lines, but any attempt at large-scale adoption of renewables would necessitate it.

Note that we are adding to electric reliability risks at the same time electricity demand is on the rise, due in part to other provisions of the IRA favoring electric vehicles over gasoline powered ones, as well electric appliances over natural gas versions. Thus, we face the double whammy of provisions in the IRA reducing the reliability of the grid while other provisions seek to make Americans less energy diverse and more dependent on electricity – in other words, we are trying to put more of our eggs in one basket while switching to a flimsier basket.

3. The Anti-Consumer Impacts of the IRA

Many of the products favored under the IRA are ones many consumers would not otherwise choose, and for good reasons.

Americans like freedom of choice, as was amply demonstrated by the powerful consumer backlash over the prospect of government restrictions on natural gas stoves.[9] Despite denials from the previous administration that any such anti-gas stove agenda was in the works, there are several such provisions in the IRA, demonstrating the anti-consumer thrust of the law.

The Inflation Reduction Act contains generous rebates of up to $840 for the purchase of an electric stove, but nothing for the purchase of a gas model. There are similar incentives for other appliances that come in both electric and natural gas versions, like furnaces and water

[9] Ben Lieberman, Competitive Enterprise Institute, Congressional testimony before the House Committee on Oversight and Accountability, May 23, 2023, https://cei.org/wp-content/uploads/2023/05/Testimony-of-Ben-Lieberman-Examining-the-Biden-Administrations-Regulatory-Assault-on-Americans-Gas-Stoves-May-2023.pdf.

heaters but only if you buy the electric version. Other IRA provisions target natural gas hookups including cash grants to builders of electric-only homes as well as funding to change state and local building codes to advance a net zero agenda which precludes the use of natural gas. It should also be noted that some of the billions of dollars in IRA handouts to activist groups are going to organizations whose primary purpose is to end the use of residential natural gas and make homes completely dependent on electricity.

These and other anti-natural gas provisions are in the IRA despite the fact that natural gas is 3 times cheaper than electricity on a per unit energy basis, according to the Department of Energy.[10] The IRA's war on natural gas is a war on consumers.

The IRA's EV agenda is also out of step with consumer preferences. The generous incentives for EVs, up to $7,500 per vehicle, have led to a reported 169 EV and EV battery manufacturing facilities at various stages of planning or construction.[11] Nonetheless, consumer demand for EVs is not growing as fast as proponents had hoped and in fact appears to be stagnating.[12] It may be that the market niche for EV buyers – primarily well-to-do multi-vehicle households – is on its way to saturation while the rest of us prefer to stick with the more affordable and convenient internal combustion engine vehicles. The IRA is not geared towards giving consumers what they want but rather is trying to change what they want. But most consumers are saying no.

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[10] U.S. Department of Energy, "Energy Conservation Program for Consumer Products: Representative Average Unit Costs of Energy," 88 Fed. Reg. 58575, August 28, 2023, https://www.govinfo.gov/content/pkg/FR-2023-08-28/pdf/2023-18532.pdf.

[11] E2, Clean Economy Works, https://e2.org/announcements/.

[12] Ryan Felton, "EV Sales Streak Grinds to a Sudden Halt," Wall Street Journal, May, 7, 2025, https://www.wsj.com/business/autos/electric-vehicle-sales-drop-april-7080b643.

There are also fairness issues, both for EVs as well as home appliances, as all taxpayers foot the bill for these IRA subsidies but the beneficiaries are mostly households that are wealthier than average.[13]

The IRA is an assault on consumer freedoms. Granted, the statute does not outright ban gasoline powered cars and trucks, or outlaw natural gas appliances, but a point gets reached when they are so heavily disfavored that the law works as a de facto ban. It is simply not true that the 90 percent of Americans who prefer a gasoline powered vehicle are left alone by the IRA. First their tax dollars go to subsidizing EVs. And the policies in the IRA and elsewhere tilting the playing field so heavily against conventional cars and trucks is putting upward pressure on sticker prices for gasoline vehicles. And the subsidies for residential electrification could lead to millions more homes having no other energy option besides electricity. The IRA serves to limit consumer choice, not expand it.

4. Conclusion

The tax credits and other subsidies for alternative energy sources and technologies in the in IRA will likely exceed $1 trillion dollars in costs to the American people. The distortions to energy markets will impose further burdens. Consumers will bear the brunt of these impacts. For these reasons, all of these provisions should be repealed.

[13] Severin Borenstein and Lucas W. Davis, "The Distributional Effects of U.S. Tax Credits for Heat Pumps, Solar Panels, and Electric Vehicles," National Bureau of Economic Research, 2024, https://www.nber.org/system/files/working_papers/w32688/w32688.pdf.