

Making the Electric Bank Account Go Further

Leveraging the Greenhouse Gas Reduction Fund to encourage uptake of the Inflation Reduction Act

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When Congress passed the Inflation Reduction Act (IRA) in August, thousands of dollars were set aside for every household in America to electrify their homes over the next ten years by purchasing efficient, electric technologies like electric vehicles and heat pumps. This money can be thought of as an “electric bank account,” which each household can use to invest in electrification. And like any good investment, electrification will pay dividends immediately and over time by cutting energy costs, improving air quality and stimulating local job creation.

Here, we unpack the size and scale of America’s electric bank accounts and their potential dividends. We also explain how the federal government can utilize the Greenhouse Gas Reduction Fund (GHGRF) – established through the Inflation Reduction Act – to ensure that these electric bank accounts are broadly and equitably accessible.

Electric bank accounts: the numbers

The money in each household’s electric bank account comes from the IRA’s consumer facing rebates and tax credits for electric vehicles, heat pumps, rooftop solar, induction stoves and more. Together, these incentives:

- **Provide the average American family an electric bank account of \$10,600 to electrify.** Through both rebates and tax credits, families can receive significant electrification funding: up to \$14,000 off the upfront cost of electrification for low- and moderate-income households; up to \$2,000 off a heat pump or heat pump hot water heater; 30 percent off rooftop solar, battery storage and geothermal technology; and \$4,000 to \$7,500 off used and new EVs, respectively.

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- **Lower the cost of every electric technology.** As more people adopt a new technology, production scales and costs fall. This is an engineering law called “the learning curve,” and we have seen it in everything from solar panels to EVs and batteries. As solar deployment has taken off over the past decade, solar costs have fallen by 90 percent. Electric vehicles are on the same path: EVs will cost the same up-front as gas-powered vehicles within a few years, and they are already cheaper to own and operate from day one. The same trend should be true for other electric products, such as heat pumps and induction stoves.
- **Ramp up to a countrywide electric bank account of \$858 billion.** Across America, household electric bank accounts roll up into community electric bank accounts — with each dollar revitalizing local economies and cleaning local air. Because so many of these household electrification incentives are uncapped, the IRA delivers \$858 billion in potential electric investment in these communities, if they choose to use it. Communities have an enormous opportunity to educate their residents for their own benefit, reaping benefits in the form of local job creation, wealth creation and reinvestment as a result.

Electric bank accounts: the dividends

Through electrification, the IRA will deliver real benefits to Americans’ pocketbooks, health and local economies.

- **Saving Americans’ money on their monthly energy bills:** When Americans invest their electric bank accounts in efficient, electric machines, those machines quickly pay dividends. An electric vehicle costs just \$1.41 per gallon to operate, while gas prices (\$4.67 per gallon in June) are volatile and soaring. Overall, American families can save an average of \$1,800 per year on their energy bills by fully electrifying. Were these annual savings invested, they could yield \$140,000 after 25 years assuming a typical 8 percent rate of return, building individual and generational wealth. This is particularly important in a time of rising costs driven by fossilflation.
- **Improving Americans’ health through cleaner indoor air:** Efficient, electric appliances don’t poison the air we breathe inside our homes like fossil-fuel machines do. As scientific papers have shown, burning fossil fuels in our gas stoves emits carcinogens like benzene and formaldehyde. Electrification reduces the number of asthma attacks and other illnesses that result from burning fossil fuels in our homes. These benefits are especially important to renters in multifamily buildings, particularly within disadvantaged communities, that suffer from poorer air quality.

- **Creating millions of American clean energy Jobs:** The IRA's economic benefits will not stop at the household level. Instead, they will be amplified within communities all over the country, as additional appliance installations create millions of good-paying jobs, most of which are necessarily local, for example through equipment installation.

Delivering these dividends

Americans' electric bank accounts must be as accessible as possible. The IRA's residential tax credits are nonrefundable, so eligible households will have to owe sufficient federal taxes to use them. Unless implementation is designed to prioritize accessibility, households will also have to be able to afford the upfront costs of electric equipment. And although the IRA's point-of-sale electrification rebates cover up to 100 percent of costs for low-income households, they cover only half the costs for moderate-income households. The remaining expense may be prohibitive for many families. In addition, for both the tax credits and rebates, a shortage of skilled installers may hinder rapid deployment, and delays in rebate payments may disincentivize contractor participation.

The IRA's Greenhouse Gas Reduction Fund—also known as the Accelerator—is uniquely positioned to address these problems and make Americans' electric bank accounts more accessible. The Accelerator received \$27 billion in the IRA, most of which will fund Green Banks run by state and local governments or nonprofit financing institutions, including community lending institutions (e.g., credit unions, community development financing institutions, or minority-serving institutions). These financing institutions could offer low-cost, flexible financing for families, multifamily building owners, businesses and nonprofits to install clean technologies.

Below are four key ways the Accelerator can help Americans use their electric bank accounts:

1 | Pay out consumer tax credits and contractor rebates upfront through zero-cost bridge loans. The IRA's electrification rebates for low- and moderate-income households are point-of-sale discounts, but the tax credits are not. The Accelerator should support zero-cost bridge loans against an individual's estimated 25C or 25D tax credit value to make these credits as accessible as possible—similar to “same-as-cash” loans commonly used in the renewable energy industry. This same approach can be applied to relevant and aligned state and local rebate and incentive programs, serving as a catalyst for creating more of them. The Accelerator should also deliver bridge financing to pay out participating contractors and retailers in the electrification rebates program within a matter of weeks. Consumers shouldn't have to cough up money up-front, and neither should contractors.

2 | Enable all Americans to electrify by lowering the financed cost of electrification. The Accelerator should support a national, low-cost loan product that lowers the cost of financing electric machines. This is especially important in the cases where the rebates do not fully cover the upfront cost of electrification for low- and moderate-income families. For instance, low-cost financing can provide critical financial resources to multifamily building owners so that residents can enjoy the energy bill savings and health benefits of electrification. In addition, low- and moderate-income renters can utilize low-cost financing to help cover any additional expenses for items like portable heat pumps, enabling them to experience day one bill savings.

3 | Advance equity by financing electrification readiness. The Accelerator should provide grants or low-cost financing to ensure that all Americans, especially those in disadvantaged or underserved communities, can electrify by financing necessary building upgrades. Especially in historically under-invested communities, older buildings may face basic health and safety issues like lead, mold, asbestos, roofing deficiencies, lack of insulation and dangerous wiring—all of which prevent electrification. Necessary health, safety and weatherization upgrades can make these homes and apartment buildings “electrification-ready” and able to take advantage of the electrification and whole-home rebates once they’re available. In addition, the federal government should flow electrification rebates through existing programs like the Weatherization Assistance Program to get dollars out the door as soon as possible.

4 | Develop the electrification workforce. The Accelerator should build out the electrification workforce by providing low-interest loans and/or grants to: expand or establish minority-owned contractor companies; hire and train new installers; upskill existing installers; and fund workforce development nonprofits. In addition, green banks, economic development corporations and state energy offices should create a contractor pipeline from workforce development initiatives to state energy office-administered rebate programs.