Crapo Statement at Hearing on Tax Incentives in the Inflation Reduction Act
May 18, 2023

Washington, D.C.--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at a hearing entitled "Tax Incentives in the Inflation Reduction Act: Jobs and Investment in Energy Communities."

As prepared for delivery:

"Thank you, Mr. Chairman, for holding this hearing.

"Many members of this committee, on both sides of the aisle, have long recognized the need to reform our energy tax laws.

"But rather than work on stakeholder-informed, bipartisan energy tax policies that would support a technology-neutral approach, my democratic colleagues pursued a partisan path through their misnamed Inflation Reduction Act (IRA).

"Republicans warned that the IRA would take us down a dangerous, fiscally irresponsible path to provide ever-ballooning subsidies, antagonize allies and, ironically, reward the very industries that are reliant on China.

"Unfortunately, what we warned of has to come to pass, leaving Americans to deal with the fallout of these predicted consequences.

"The IRA's costs keep rocketing upwards by hundreds of billions of dollars. For example, Penn Wharton's Budget Model originally estimated the climate and energy provisions in the IRA would cost nearly $385 billion.

"After new implementation details emerged, Penn Wharton revised the model, estimating the climate and energy provisions would actually cost over $1 trillion.

"Spending on clean cars and trucks alone is now estimated to cost $393 billion over ten years--more than the original estimate for the entirety of the IRA's energy and climate-related provisions.

"To mitigate our allies' anger on electric vehicles tax credits, the Biden Administration decided to usurp congressional authority by redefining the long-understood concept of a market-oriented 'free trade agreement' to now include agreements that fail to open any markets for American workers.

"Additionally, the Treasury Department has announced several sets of rules and planned rules that will enable Chinese minerals, materials and entities to qualify for IRA subsidies, while potentially also excluding domestic players who are connected to traditional energy sources.

“Meanwhile, the taxpayers who bear the cost of this government largesse still suffer from inflation that remains far too high.

“People who find they can no longer afford much of what they once could are forced to fund green energy subsidies that do nothing to help reduce inflation, but are likely to make it worse.

“The rushed, disjointed policies at the heart of these provisions were unworkable from the outset. The Biden Administration has resorted to unilaterally walking back and diluting key guardrails at every opportunity.

“The result of the Administration’s actions, however, will support manufacturing jobs overseas and cede additional control of our supply chains to foreign competitors, as even some of my colleagues across the aisle have acknowledged.

“In the interim, the IRA fails to provide any real permitting or regulatory reforms, which leads to widely disparate results--even for the same exact types of projects.

“Projects that would already be economically viable receive a subsidy windfall under the IRA, but those projects which may have existing regulatory or permitting roadblocks receive insufficient benefit to move forward.

“Meanwhile, American taxpayers are left footing the direct and indirect costs of the trillion-plus dollar bill. And while many U.S. companies and American consumers are at a disadvantage under the new green energy regime, there is one clear winner: China.

“When it comes to producing batteries for electric vehicles, for example, China is the economic winner by a landslide.

“China controls more than 60 percent of the battery cathode and separator production, more than 70 percent of battery electrolyte and battery cell production and lithium and cobalt refining, and more than 80 percent of battery anode production.

“The New York Times recently reported, ‘Despite billions in Western investment, China is so far ahead--mining rare minerals, training engineers and building huge factories--that the rest of the world may take decades to catch up. Even by 2030, China will make more than twice as many batteries as every other country combined.’

“China’s production dominance is also on display in the solar industry, which as the Washington Post recently noted ‘dominates the market for the wafers and polysilicon used in them, controlling some 95 percent of the supply.’

“The IRA is a gift to China, where economies of scale, supply chains and first-mover advantages – as well as the unreasonably lenient Treasury regulatory guidance I previously referred to--ensure that for the foreseeable future, most of America’s green energy growth will be originating from the one place the IRA claims it should not.

“Instead of increasing U.S. dependence on China and further encouraging manufacturing overseas, my Republican colleagues and I support a common sense ‘all of the above’ approach.

“We also share Americans’ justified concerns with the forced shift to certain types of green energy that the Administration’s broad-based effort to eliminate traditional energy sources will lead to.

“I look forward to hearing from our witnesses today about the actual outcomes of the IRA’s green energy subsidies.

“Thank you, Mr. Chairman.”