Inflation Reduction Act:
What energy and utilities leaders need to know

C-suite executives have different roles to play when influencing the future of green energy

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The 2022 Inflation Reduction Act (IRA) offers incredible opportunity for energy and utility companies that are willing to invest in sustainable infrastructure and operations.

The US Department of Energy estimates that the IRA, which dedicates almost $400 billion of federal funding to clean energy, aims to help the country achieve a 40 percent reduction in economy-wide greenhouse gas emissions by 2030.

IRA funding has the potential to drive material change to the energy, transportation, and manufacturing sectors. More than 191 new clean energy projects were funded in the eight months following the act's passage in August 2022, totalling $242.8 million in new investments, according to a report from research firm Climate Power.

Shaping the clean energy economy

C-level decision makers have an opportunity to influence the future of the clean energy economy by accelerating emissions reduction plans, accessing tax breaks for renewable energy generation (solar, wind, and geothermal) and operational nuclear reactors, and increasing the capacity of utility-scale solar plants and wind farms.

Here are some ways C-suite leaders can work together to make the most of IRA benefits.

Chief Executive Officer (CEO)

As the overall leader, CEOs must balance the organization's sustainability goals with creating shareholder value. Accessing IRA funds can help companies accelerate investments in infrastructure and technology to meet business and climate targets quickly and cost effectively.

Primary responsibilities

- Align the company vision and green energy strategy across the C-suite
- Support leaders in understanding the potential impact of IRA on their areas of responsibility, and how accessing funds fits into the enterprise strategy
- Collaborate with the tax team across areas such as capital, innovation, product, and manufacturing to leverage IRA incentives

Tax executives

There are complex domestic and global tax policies related to climate targets. Tax executives must develop new ways to improve efficiencies in the energy and utilities sector, increase profitability, and reduce exposure to future environmental tax burdens. Accessing IRA funds can boost sustainable innovation and mitigate other risks across the organization, but tax executives must also factor in the long-term implications of government incentives and investments.

Primary responsibilities

- Forecast the long-term viability and costs of projects by understanding the investment and incentive terms of IRA tax credits. Some tax credits are time limited, so models can provide a more accurate picture of long-term project costs
- Improve both short- and long-term gains by understanding the eligibility requirements for multiple credits under the fund
- Assess where more IRA guidance is needed from agencies such as the IRS and Treasury Department to manage the indirect impacts of the new law

Chief Financial Officer (CFO)

CFOs are responsible for the company's financial framework, which includes embedding sustainability targets and costs throughout its operations and tracking metrics to meet financial and climate goals.

Primary responsibilities

- Account for taxes and incentives from IRA funds in its forecasts and reports
- Analyze and measure how carbon reduction affects overall costs and technology requirements
- Develop a deeper understanding of how to monetize and account for tax credits (such as bonus rates), including item placement on an income statement and the timing and recognition of transactions


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Chief Operating Officer (COO)

COOs need to think holistically about supply chains and understand how the entire business ecosystem will be impacted across sectors. This role becomes even more critical as external infrastructure projects ramp up as a result of IRA investments.

Primary responsibilities

- Evaluate the current mix of suppliers to understand how they can be adjusted to optimize IRA credits and funding, while being aware of the requirements to source suppliers domestically
- Coordinate with finance teams on budget forecasts in case of increased costs due to scarcity of products
- Assess how ready the company is to scale projects or production to capture any increased demand generated from the IRA
- Consider how company costs and energy supply pricing will be affected by carbon reduction

Chief Risk Officer (CRO) and Chief Sustainability Officer (CSO)

CROs and CSOs play important roles in safeguarding company reputation by ensuring compliance with regulatory requirements and assessing the impact of climate initiatives. Tax credits under the IRA are aligned with the actual reduction of climate emissions, which might mean CROs and CSOs have greater oversight as the shift to a clean energy economy speeds up.

Primary responsibilities

- Monitor the competitive landscape to determine if targets should be more aggressive to match others operating in the energy and utility sector
- Understand the impact of strict reporting requirements or the need to make public commitments (e.g., increased energy efficiencies) to access IRA funds
- Evaluate how the IRA might impact enterprise risks, including new technologies, energy investments, the economic effects of decarbonization, and environmental, social, and governance (ESG) scores

Chief Human Resources Officer (CHRO)

The CHRO ensures an organization's human resources strategy aligns with the overall business plan, touching on areas such as change management, recruitment, and training to create a strong talent base to support future projects and staffing needs made possible by IRA funding.

Primary responsibilities

- Optimize tax credit benefits through IRA-compliant hiring decisions and staffing
- Maintain coordination with operations, engineering, and construction to assess upcoming capital projects and workforce needs
- Develop talent by understanding the IRA's apprenticeship program requirements, which include substantial tax incentives

A framework to set up C-levels for success

Although individual C-level executives have distinct roles in the application process, creating cross-functional committees and engaging in end-to-end planning and decision-making will create a more seamless flow of ideas and actions. Operating in silos can create tunnel vision and derail project progress.

All C-level executives can benefit from these five steps to take advantage of IRA incentives.

- **Start early.** The application process to access funds can be onerous and time consuming if organizations don't have the resources or capabilities to navigate the requirements. To access the various types of funds under the IRA, leaders need to know the timing and sequence of the application requirements, what specific information to gather, and how to make the most of multiple applications without duplicating efforts.
- **Create partnerships.** System integrators are a valuable resource for C-suite leaders; they can provide expertise, guidance, and support to utilities looking to use IRA funds.
- **Be flexible.** C-suite leaders need to be ready to pivot from their original priorities or approach to access time-limited funding.
- **Communicate early and often.** Collaboration starts with communication. Leaders should share their plans for using IRA funds with other stakeholders, like customers, regulators, and employees, to build support and avoid conflicts.
- **Measure outputs and outcomes.** Leaders should monitor the progress of IRA-funded projects to ensure they are on target to meet milestones and long-term goals while mitigating potential problems and taking corrective action as needed.

Act now on IRA opportunities

Executives who want to take advantage of IRA incentives must move quickly to qualify for credits and grants.

Capgemini can help companies navigate the intricacies of the IRA fund by developing a holistic strategy for maximizing benefits, providing guidance on the application processes, supporting large-scale engineering and technology projects, and connecting the right partners and ecosystems.

For more information on how Capgemini can help you achieve the most benefit from the IRA, please contact:

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