Planning for Evaluation of Treasury IRA Clean Energy Provisions

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Department of the Treasury

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To whom it may concern:

On behalf of Resources for the Future (RFF), I am pleased to share the accompanying comments to the US Department of the Treasury in response to Notices 2022-46, 2022-47, 2022-48, 2022-49, 2022-50, and 2022-51 on planning for evaluation of clean energy provisions of the Inflation Reduction Act.

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If you have any questions or would like additional information, please contact Billy Pizer at pizer@rff.org.

Sincerely,

Billy Pizer and Joseph Aldy

Planning for Evaluation of Treasury IRA Clean Energy Provisions

The Department of the Treasury identified three core principles to guide its implementation of the Inflation Reduction Act's climate and clean energy provisions: (1) robust public engagement; (2) clarity and certainty; and (3) sound stewardship. Consistent with these core principles, Treasury can plan for and enable rigorous evaluation of the performance of the clean energy provisions as it develops the implementation rules and processes for the Inflation Reduction Act. Such planning would focus on the necessary data collection and the methods for evaluating program performance. Committing to a timeline for collecting and compiling data, undertaking evaluations, and publicizing performance evaluation results would increase the certainty that evidence can inform and improve the nation's energy, climate, and tax policy.

This Administration has emphasized the importance of bringing evidence to inform the design and implementation of policy. For example, the Office of Management and Budget noted that "[b]y integrating learning into the efforts we undertake, we can continue to identify ways to improve and learn from our experience. This allows us to have confidence that government investments are being used wisely to benefit the American people." Treasury IRA clean energy program evaluation would: (1) improve policy design and delivery; (2) identify new policy needs and inform policy updating; (3) enable more effective cross-agency coordination; and (4) demonstrate policy effectiveness that could enhance public and stakeholder support. In short, such evaluation would facilitate sound stewardship.

By planning for evaluation at the program design and implementation stage, Treasury can identify the data collection necessary for evaluation. This would inform the development of new tax forms and other instruments for collecting information on investments and activities eligible for IRA clean energy tax expenditures. This would also provide clarity and certainty for taxpayers on their reporting requirements.

In his first week in office, President Biden issued a Presidential Memorandum to agencies tasking them to:

> *"expand open and secure access to Federal data routinely collected in the course of administering Federal, State, local, Tribal, or territorial government programs or fulfilling Federal, State, local, Tribal, or territorial government mandates, such as tax data, vital records, other statistical data, and Social Security Administration earnings and employment reports, to ensure governmental and non-governmental researchers can use Federal data to assess and evaluate the effectiveness and equitable delivery of policies and to suggest improvements."*

Making data, including tax data, available to researchers outside of government – subject to appropriate safeguards for secure access and confidentiality – on IRA clean energy programs is a critical element of robust public engagement. Enabling access to data for program evaluation can leverage expertise beyond the government to replicate – and hence improve the credibility of – government program evaluations, as well as provide opportunities for non-governmental researchers to identify ways of improving policy design and implementation over time. The Inflation Reduction Act represents an unprecedented expenditure on climate and clean energy, but ambitious decarbonization of the U.S. economy will require additional policies and programs in the future. Robust public engagement through data access and analysis can facilitate the learning that will promote more effective climate policy over time.

Such a Treasury program evaluation framework for IRA implementation would play a key role in delivering on the Department's goal of combatting climate change presented in its FY 2022-2026 Learning Agenda under the Evidence-based Policymaking Act. In its Learning Agenda, Treasury focuses on the financial risks of households disproportionately impacted by climate change risk or transition risk and calls for developing an understanding of "what tools and best practices could be effective at addressing risks and vulnerabilities and how to implement them equitably" (p. 16). The support for clean energy investment through the IRA has the potential to significantly reduce household financial burdens associated with the decarbonization transition. Program evaluation will play a critical role in assessing this potential, and in identifying the best tools and practices to mitigate transition risks among the most vulnerable communities.

Specifically, Treasury can collect and analyze the necessary data – in conjunction with data collected by other government agencies and by non-governmental entities – to evaluate progress in delivering on the Administration's Justice40 Initiative "goal that 40 percent of the overall benefits flow to disadvantaged communities." A credible assessment of the Justice40 Initiative must include the nearly three-quarters of the Inflation Reduction Act that operates through the tax code. A credible assessment must also go beyond simply accounting for who claims IRA tax credits and examine how clean energy investment improves public health and quality of life in communities around the country.

In implementing the climate and clean energy provisions of the Inflation Reduction Act, we recommend that Treasury undertake the following:

Recommendation 1: Treasury should develop a plan for data collection and secure management and for program evaluation, including the identification of methods and tools for evaluation of IRA climate and clean energy provisions. As a part of this plan, the Department should commit to a timeline for conducting evaluations and for providing secure access to data for non-governmental researchers. This plan development could leverage the expertise from other government departments as well as non-governmental researchers.

Recommendation 2: Treasury should collect data on the location of investment or activity eligible for an IRA climate and clean energy tax credit. Location-specific data are necessary for conducting evaluations on the impacts of IRA programs on disadvantaged communities. Moreover, such location-specific data would also be necessary to evaluate the impact of the IRA on decarbonization of the power sector, the transformation of personal transportation, as well as a richer set of evaluations of the decarbonization of other sectors across the country.

Recommendation 3: Treasury should leverage the expertise and data collection across the federal government. Data-sharing agreements that allow for other agencies to share their data with Treasury would enable Treasury to minimize the reporting burden associated with claims of IRA tax credits. For example, the Energy Information Administration (EIA) collects extensive data from utility-scale wind farms, including their location, installed capacity, monthly power generation, average price paid for power, etc. A tax information instrument that asks the taxpayer to provide its EIA facility identification code would eliminate the need to collect other information that EIA regularly collects and could share with Treasury. Likewise, Census could provide information about facility-level identifiers in the Annual Survey of Manufactures and the Economic Census that could reduce the reporting burden on taxpayers and facilitate integration of datasets at Treasury for program evaluation.