Remarks by Secretary of the Treasury Janet L. Yellen at Cypress Creek Renewables in North Carolina

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As prepared for delivery

Hello, everyone. I’m glad to be at Cypress Creek Renewables in North Carolina. Solar projects like the ones developed here exemplify the promise of our clean energy future.

Earlier this month, in Michigan, I laid out how the President’s economic plan will strengthen our economy for decades to come. In particular, I explained how the plan will make our economy more productive and resilient – and advance economic fairness for all Americans.

Today, I want to focus on a key component of the President’s economic blueprint: undertaking historic investments to fight climate change. I gave my first speech warning about the economic dangers of a warming planet almost 25 years ago. That was during the Clinton Administration. At the time, there was an established scientific consensus around the threat posed by climate change. But among the public and policymakers, an understanding of its threats – as well as the economic opportunities from a clean energy transition – was much lower than it is today.

I am happy to report today that President Biden’s economic plan represents the most aggressive action that we’ve ever taken to address the climate crisis. The President has tackled the crisis head-on by securing over $430 billion to modernize our energy system. These investments will accelerate the transition to our green energy future and lower energy costs for American households and businesses. They will secure our energy supply against global price shocks. And they will provide good-paying, high-quality jobs across America – particularly in non-coastal communities that have suffered from disinvestment.

I. MACROECONOMIC IMPACTS OF CLIMATE CHANGE

First, let me touch on the risks of climate change to our economy.

Of course, unmitigated climate change is an existential threat to everyone on our planet. But even short of that, it poses meaningful risks to our economy. One way that economists...
measure the impact of warming is as a reduction in potential output. That is, climate change decreases how much our economy can produce. In a world that continues to warm, regions that are prosperous today may eventually become unsuited for productive economic activity. In many regions, human mortality is projected to rise and labor productivity to fall, with the size of the impacts depending on the degree of warming. Quantitative estimates of climate change’s impact on GDP vary widely. This is in part due to the difficulty of modeling the tail risk of crossing irreversible climate tipping points.

We do know that the harms of climate change are likely borne disproportionately by the most vulnerable populations. These are those who lack the resources to deal with the impacts. This is true both within the United States and globally. Many low-income countries are likely to be among the most severely impacted. The simple truth is that the disparate impacts of climate change raise the likely toll of human suffering.

In addition to its chronic impacts, climate change can manifest itself through an increase in acute, weather-related supply shocks. These are near-term, sharp reductions in capacity that can raise prices. The reality is that shocks that were unthinkable even a few decades ago are now presenting with alarming frequency. There’s been at least a five-fold increase in the annual number of billion-dollar disasters over the past five years compared to the 1980s, even after adjusting for inflation. Here in North Carolina, you remember well the devastating toll of Hurricane Florence. That disaster killed 22 Americans. It led to $24 billion in damage and left a million North Carolinians without power. And over the past week, we have seen Hurricane Fiona’s horrific impact on Puerto Rico. I know our Administration is working hard with the Puerto Rican government to get aid to those who need it.

These shocks are occurring around the world. And they often have global ramifications. As an example, severe droughts and floods across the globe have hurt grain yields, contributing to the growing food security crisis. In Pakistan, devastating floods have killed over a thousand people and displaced another 33 million, while also wiping out hundreds of thousands of hectares of farmland. Climate change is also exacerbating energy shortages in Europe. Abnormally hot and dry conditions have reduced nuclear and hydropower electricity production in a number of countries while driving up demand for energy.

Viewed through the lens of supply shocks, climate change can have a worrying effect on macroeconomic stability. Supply chain disruptions, like the ones experienced during the pandemic, may become commonplace. Businesses will likely increasingly need to invest in expensive climate-change adaptation strategies. Households, too, will likely need to
increasingly devote resources to everything from higher food bills to flood insurance – while potentially dealing with diminished health and higher mortality.

And climate change presents a notable challenge for governments, as well. Persistent, frequent shocks will place more strain on the need for fiscal relief. It will also limit our ability to address it by shrinking our national resources. State and local governments may increasingly be forced to devote scarce resources to disaster mitigation, potentially at the expense of investments in areas like education and worker training. And the bulk of the evidence suggests that these disasters have long-lasting negative effects on economic growth – with many economies failing to fully recover.\[^4\]

In sum, climate change poses a grave risk to the productive capacity of our economy while also impacting its stability. To tackle these risks, we need to accelerate our transition to a clean energy economy. By doing so, we will also realize significant economic opportunities in high-growth industries, while building economic resilience and creating good-paying jobs across the country.

**II. ECONOMIC IMPACT OF OUR CLIMATE INVESTMENTS**

**A. Managing the Transition to a Clean Energy Economy**

The President has called the 2020s “the decisive decade” to address climate change and avoid its worst impacts. To do our part, the United States has committed to reducing greenhouse gas emissions by at least half from 2005 levels by the end of the decade. We have made significant progress – and further powered by the Inflation Reduction Act, our plan puts us on a strong course to achieve that goal.

A cornerstone of the Biden Administration's approach on climate change rests on harnessing the engagement of the private sector. Specifically, government must provide the basic foundations and long-term certainty that businesses need to invest at scale and drive the transition toward a clean energy future.

Our government has long provided incentives to mobilize private capital toward compelling economic and public policy objectives. Decades of government research investment spurred the creation of the Internet. Commercial medical technologies that we take for granted – like MRIs and advanced prosthetics – were supported by government through their development. This approach extends to clean energy. In large part due to concerted government
investment, costs for key renewable energy technologies have already seen declines upwards of 75% over the past decade.

But this Administration understood that our existing system of programs and incentives were not sufficiently strong to help transition the economy at the pace that is needed to meet our climate goals. Nor at the pace that is required to ensure that American industries and workers benefit from the transition to the maximum extent possible.

Investors lacked long-term certainty because tax credits were subject to Congressional renewal at short intervals. In the case of the tax credit for electric vehicles, it began to phase out once a manufacturer had sold 200,000 cars. There was also little, if any support, for new technologies that could help transition harder-to-abate sectors – such as hydrogen and sustainable aviation fuel. The result: the United States was at risk of being left behind in the global competition for leadership of these low-carbon technologies and industries of the future.

Like a large ship, the U.S. economy requires a clear course to steer in the right direction. This means coupling long-term incentives for private investment with regulation across key sectors in order to accelerate innovation and expand the productive capacity of the economy. And that’s what the Biden economic plan delivers.

The cornerstone of the plan – the Inflation Reduction Act – extends and expands the current system of clean energy tax credits. These reforms will provide greater long-term certainty for businesses on their returns on investment. The credits will also have greater reach. For the first time, non-profits and state and local governments will be able to benefit directly from them. For emerging technologies – such as clean hydrogen and carbon capture – the Inflation Reduction Act will jumpstart innovation and growth. For more established zero-emissions technologies – like the solar energy projects operated here at Cypress Creek – the law will sustain and accelerate progress that’s been made.

We also expect to see lower energy costs for families. The Administration has launched a website to help Americans take advantage of a wide range of consumer tax credits. There are tax credits to lower costs for home energy efficiency improvements, such as better insulation and heat pumps – as well as new tax incentives for buying and installing energy-efficient air conditioners and furnaces in homes.

But there’s more. Beyond the consumer tax credits, we expect a significant mobilization of private investment into the clean energy sector. Combined with the business tax credits, this
investment is expected to further push down the costs of clean energy production. This, in turn, is expected to help bring down retail electricity rates at the same time as the law electrifies a greater share of the American economy.

Modernizing our energy system means modernizing our infrastructure as well. To accommodate new clean energy production and usage, the Bipartisan Infrastructure Law is laying the groundwork for improvements and expansions of transmission lines. This work anticipates the potential need to triple the size of our electricity transmission systems by 2050.[5] The infrastructure law also funds the first national EV charging system. It will make 500,000 chargers available across the country.[6]

What does this all mean for our economy? Through these investments, we are positioning the United States to capitalize on the growing demand for low-carbon products around the world.[7] We are establishing and extending our country’s leadership in key industrial and technology sectors.[8] We are attracting investments in companies and workers here at home – and creating high-quality, good-paying jobs across America. In the meantime, these investments boost our global effort to directly combat climate change and avoid its worst economic, social, and health fallouts.

I am proud that the Treasury Department will be at the forefront of implementing our economic and climate plan. I am also proud that, as we push the ambitions of other countries to do more, I can represent the United States as a world leader in tackling the climate crisis with greater credibility than ever before.

**B. Building Climate Resilience and Economic Opportunity Across America**

I want to also discuss two further impacts of these laws: increased resilience and greater economic inclusion.

Over the past two years in particular, we’ve seen the direct consequences of our continued dependence on fossil fuels. Not only do we continue to contribute and subject ourselves to a rapidly warming climate. But we expose ourselves to the type of energy market volatility we’ve experienced in the wake of Russia’s brutal war on Ukraine.

No country controls the wind and the sun. And countries that can harness those sources of energy will make their economies more resilient and secure. That’s exactly what we’re doing with the Inflation Reduction Act. We are shifting our dependence to clean sources and away from the volatility of fossil fuels and the autocratic regimes that often control them. The law
also incentivizes investment – here at home – in solar panels, batteries, and other key components of the energy supply chain. This helps secure critical inputs needed to deliver on our clean energy future.

Our plan also dedicates $50 billion to strengthen the resilience of our infrastructure against the increasing number and severity of extreme weather events. These investments will help protect America’s farmers, homeowners, and communities against droughts, floods, and extreme heat.

Lastly, our sustainable future must be fair and inclusive. Within days of taking office, the President established the Justice40 initiative, which aims to deliver 40 percent of the overall benefits of federal climate and environmental remediation investments to disadvantaged communities. In line with that commitment, our plan provides funds to help clean up hazardous waste and pollution in local communities that have been most harmed by them. This will lift a barrier that has held back health and economic outcomes in these communities.

At the same time, our plan will spur new economic opportunity for cities, towns, and rural areas that have been overlooked. For too long, economic opportunity has been disproportionately concentrated on the coasts. But clean energy creates opportunities across the country. This includes non-coastal areas and communities that have been historically dependent on fossil fuel extraction. In fact, the Inflation Reduction Act provides additional tax incentives for businesses to invest in low-income and historic energy communities, with strong labor standards as a key requirement. These new opportunities will add to the billions in federal investments that the Biden Administration is already making in communities hard-hit by coal mine and power plant closures.

III. CONCLUSION

In sum, the transition to a clean economy has massive economic stakes for the United States and the world. We need to mitigate against the risks and capitalize on the economic opportunities. But there’s a personal imperative to act too. It’s often said that how well we tackle this crisis is a test of whether we can come together to preserve the planet for our children. But from what I’ve seen over the past few years – with the growing severity of the disasters that have struck the United States – this is no longer just about our children.

Frankly, this is about us as well. The volatility of the planet that we live in. Right now, and in the months and years to come.
Treasury, the IRS, and other agencies across the Administration are already hard at work to implement the Biden economic plan. In the coming weeks, Treasury will engage a broad spectrum of stakeholders on key provisions. My team and I will host a series of roundtable discussions to help inform our efficient and effective implementation of the tax credits. We are working expeditiously to provide clarity and certainty so the law’s climate and economic benefits can be felt as quickly as possible, while providing effective guardrails to ensure that the benefits are delivered as intended.

For decades, the world has been too slow to act. But strong action by the federal government is finally here. While there is much more to do, I believe we now have a clear and robust plan forward. I am confident about the direction of the sustainable future that we are building together.

Thank you.

4 https://www.whitehouse.gov/cea/written-materials/2022/09/01/the-rising-costs-of-extreme-weather-events/
9 https://www.whitehouse.gov/environmentaljustice/justice40/
10 https://www.epa.gov/infrastructure/cleanup-revitalization-and-recycling-investments
11 https://www.nber.org/papers/w30332

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