Chart of the Week

September 15, 2022

Go Green or Go Home

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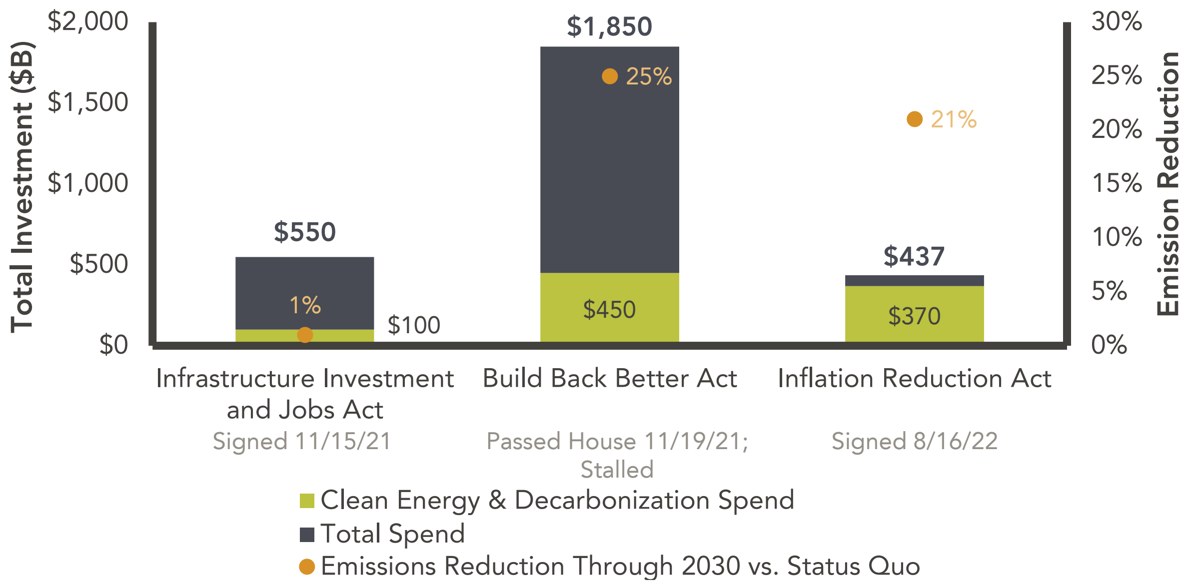
The Inflation Reduction Act represents a nearly 4X projected increase in clean, renewable energy expenditures compared to the bipartisan infrastructure bill passed in late 2021



Sources: Princeton University ZERO Lab data as of August 2022, Stonepeak

Accelerating energy innovation is proving to be a key driver of decarbonizing the economy and mitigating climate change and may also expand the opportunity set for infrastructure-focused investors. President Biden signed the Inflation Reduction Act of 2022 ("IRA") into law on August 16th, 2022. The legislation is projected to raise $737 billion in revenue, require total investments of $437 billion, and reduce the deficit by more than $300 billion.[1] The IRA bill aims to help offset long-term inflationary pressure via targeted spending in clean-energy renewables and decarbonization initiatives over the next decade-plus. In addition, the bill will utilize tax credits and government subsidies to encourage household and commercial renewable energy purchases, clean-energy manufacturing, and decarbonization of domestic industries. As private equity and infrastructure investors digest the impact of the new legislation, we expect electric utilities and clean hydrogen production to be key beneficiaries of an increase in capital deployment. Infrastructure-focused strategies can provide exposure to these tailwinds while being ESG-friendly and more broadly helping to diversify a portfolio, provide a hedge against inflation, and generate attractive long-term risk-adjusted returns.

[1] Inflation Reduction Act of 2022, Investopedia

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