



## Unlocking \$1 Trillion in Climate-Related Investments

To BCG's network around the world,

After an extended break, I'm so happy to be writing you today about what I believe is genuinely good news: the recent passage of the US Inflation Reduction Act and its provisions that will prove to be a watershed moment in the fight against climate change. **In addition to the direct climate funding triggered by the legislation, we estimate that it will unlock more than \$1 trillion in combined climate-related investments.**

I've often written about how business is making great strides on this topic and will continue to do so. But we won't be able to move far enough or fast enough unless there's strong collaboration between the public and private sector. As the second-largest carbon emitting country in the world, the US government has long needed to step up its approach to climate action.

That's why the passage of the new act is so exciting and important. The legislation directs nearly \$370 billion to climate and energy initiatives and is likely to have profound, far-reaching effects on energy systems, supply chains, policies, and trade, both within the US and across the globe. A [recent BCG Executive Perspective](#) breaks down the legislation's features, examining its implications on industries such as energy, transportation, and manufacturing and the developments it will spur in clean tech and other innovation.

Alex Dewar, one of BCG's global climate experts and a co-author of the Perspective, described just how groundbreaking he believes these low-carbon incentives are in terms of scale and breadth. "It provides a business case for investment in a full suite of low-carbon technologies," he said, "which in turn can put the US on a pathway to

reduce GHG emissions by upwards of 40% by 2030.” That progress will begin much earlier than the end of the decade and will speed up substantially beyond then too, as the investment and innovation that is set into motion during this decade will have a dramatic impact throughout the next.

Key elements of the legislation include:

- Incentives that materially reduce the costs of renewables and other carbon-free energy sources—shifts that could mean that up to 80% of electricity in the US will come from such sources by 2030
- Incentives that will lower the entry price for electric passenger and heavy-duty vehicles, significantly speeding up their adoption
- Greater funding for emerging clean technologies, which, among other things, will dramatically lower the costs of direct air carbon capture technology that will be essential in the effort to reach 2050 net-zero goals, addressing the legitimate criticism of lower-quality offsets
- Manufacturing tax credits that will boost the production of key energy and electric vehicle components

CEOs from around the world are starting to take note. Last month, I met with a group of business leaders to discuss climate action. In describing the passage of the new act, the CEO of a leading global firm based in Europe shared that the legislation “is incredibly important and completely changes the landscape for climate action. The US is now ahead of the rest of world, and other countries will need to look closely at this to catch up.”

For those with operations, suppliers, or customers in the US, it’s even more critical to act on climate now and capture the full value of new policies, working quickly to:

- Take advantage of the sizable credits that reduce energy and transportation costs, regardless of industry
- Leverage massive shifts in carbon abatement curves and clean technology improvements to reduce greenhouse gas emissions across supply chains
- Capture early-mover advantage to mitigate the expected emerging bottlenecks in low-carbon infrastructure development and related supply chains

- Plan ahead in order to shape and capture value from new markets in energy, transportation, and manufacturing

And these benefits are just the direct impact of the legislation. There will be multiple second-order effects that I will cover in upcoming Weekly Briefs, including the ability of downstream players to increase their Scope 3 commitments, pressure on other countries to make similar market-shaping investments, and a possible shift in consumer perceptions, so that we all begin to see the key components of a climate-friendly economy as a normal way of life.

Please see below for more on this and related topics.

Until next time,



Rich Lesser  
Global Chair

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## Further Reading



### US Inflation Reduction Act: Climate & Energy Features and Potential Implications

This recently enacted legislation is likely to have profound, far-reaching effects on energy systems, supply chains, industries, trade, and beyond—both within the US and across the globe.

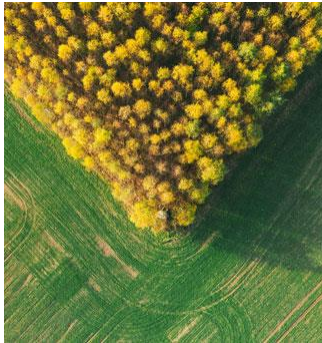
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