



Funding a sustainable future

How organizations are leveraging the Inflation Reduction Act (IRA)

2024 KPMG IRA Study



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Funding a sustainable future

How organizations are leveraging the Inflation Reduction Act (IRA)

Now more than ever, organizations are recognizing the significant benefits of the Inflation Reduction Act (IRA) – a groundbreaking piece of federal legislation on energy and the environment, among other topics. It has become a vital component of strategic planning and future success as organizations capitalize on the financial benefits it offers across industries to fund investment in a sustainable future.

KPMG LLP's study indicates that there is a strong interest in leveraging the IRA benefits in long term planning and that organizations perceive it as a key source of competitive advantage. To realize the full scope of the IRA's financial benefits, organizations are investing in internal upskilling, related data analytics, and advice from outside experts in sustainability and tax.

The study examines, in detail, which of the many IRA's sustainability provisions organizations are leveraging most. It also delves into the new marketplace of buying and selling tax credits, where many organizations require extensive third-party guidance and support as they navigate this new landscape.

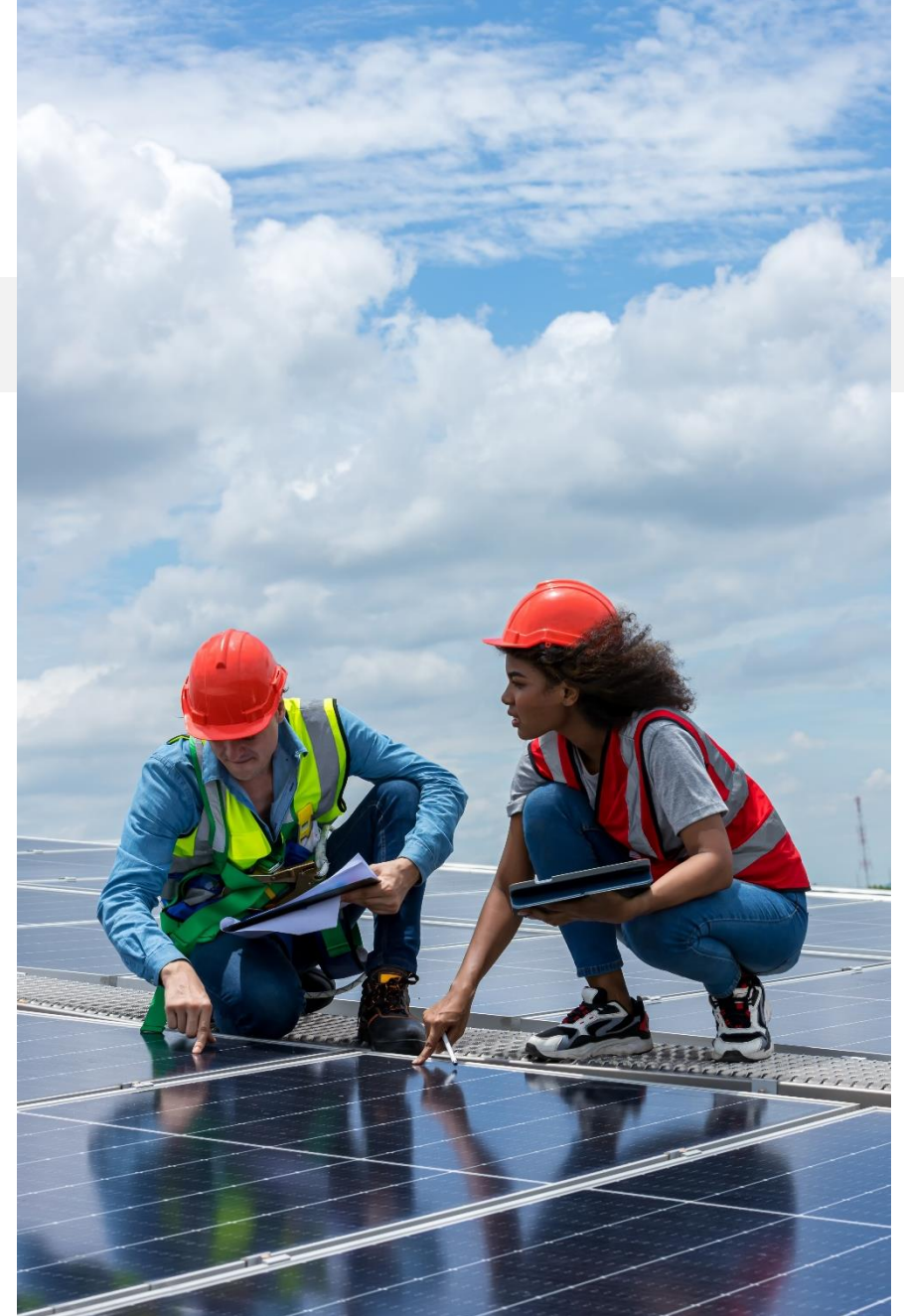
While the IRA may seem complex at first, the study reveals the IRA offers organizations the chance to invest in a sustainable future while simultaneously benefiting their bottom lines.



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Clients are feeling a heightened sense of urgency to capitalize on IRA benefits now, before they potentially are affected by a change in administration and political uncertainty.



Executive summary

The IRA is a financial tool organizations can use to competitively fund sustainable projects. Despite delays in clear governmental guidance, organizations have significant plans to leverage IRA provisions in the long term and the majority recognize it as a source of competitive advantage. To maximize the IRA's strategic opportunities, including navigating the new tax credit transfer market, organizations are seeking out 3rd party support.

The IRA has become table-stakes for competitive strategy

The IRA has **major influence** on an organization's future strategy and project planning

98% view the IRA as a source of **competitive advantage**

99% organizations are **leveraging** the IRA to fund their **sustainable strategy** and decarbonization plan

61% organizations have **extensive plans** to leverage the IRA in long term

The specific provisions that are expected to most influence **future strategy / planning** are...

Environmental Provisions: Social Provisions:

- Renewable energy / energy efficiency (100%)
- Transportation (96%)
- Prevailing Wage & Apprenticeship (98%)
- Low-income housing (95%)

Capitalizing on IRA benefits

There are significant financial benefits of the IRA:

86% see it as a way to **reduce taxes**

50% see it as a way to **save on costs, beyond reduced taxes**

To maximize benefits:

72% are improving **data analytics** and increasing training to **build expertise**

Top challenges include

Absence of prompt governmental guidelines on the IRA provisions

Inability to capture/extract the necessary data

68% are waiting for **more guidance from the government** before further leveraging the IRA

Navigating the new IRA tax credit transfer market

57% Of organizations are interested in participating in the tax credit transfer market

More organizations (33%) wish to engage in **selling tax credits**, compared to those who wish to **buy tax credits** (21%)

Top reasons for buying tax credits:

- Support of renewable energy projects
- Diversify investments and reduce overall tax liability

Top reasons for selling tax credits:

- Increased visibility and impact of organization
- Generate additional revenues/cashflow

95% **require some level of advice** - from basic instruction or ad hoc support to extensive guidance - **from third parties** to engage in selling and buying tax credits

KPMG Recommended Next Steps

- Strategically evaluate IRA benefits to **stay ahead of peers**
- There are **many** IRA provisions – determine which are **relevant** for your industry and can **help fund** your **strategic goals** and **decarbonization commitments**

- Have a **long-term plan** that is **adaptable** to the pace of governmental guidance and an evolving political landscape
- **Upskill data analytics** and **internal expertise** to maximize the IRA benefits and uncover hidden opportunities

- **Buyers** assume tax recapture risk, so full **diligence** and **ongoing monitoring** needs to be part of purchase decisions
- **Sellers** should work with **trusted partners** to add credibility to their listings, especially as there is currently **more supply than demand** for credits

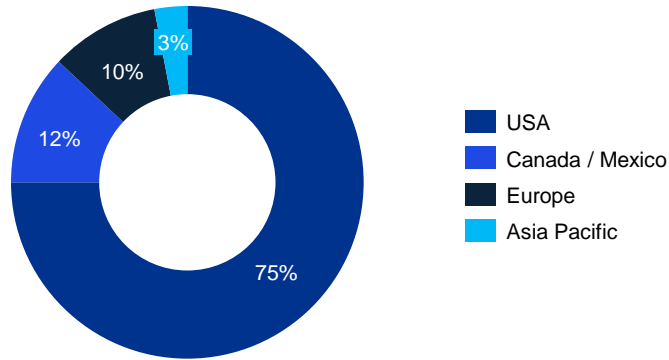
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Respondent's demographics

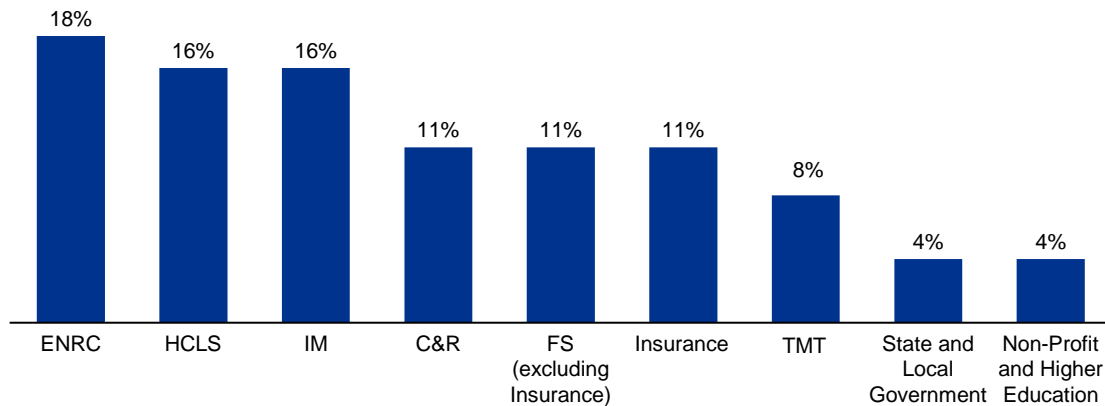
Respondents' demographics

Organization structure and industry representation

Region in which respondents' company is headquartered



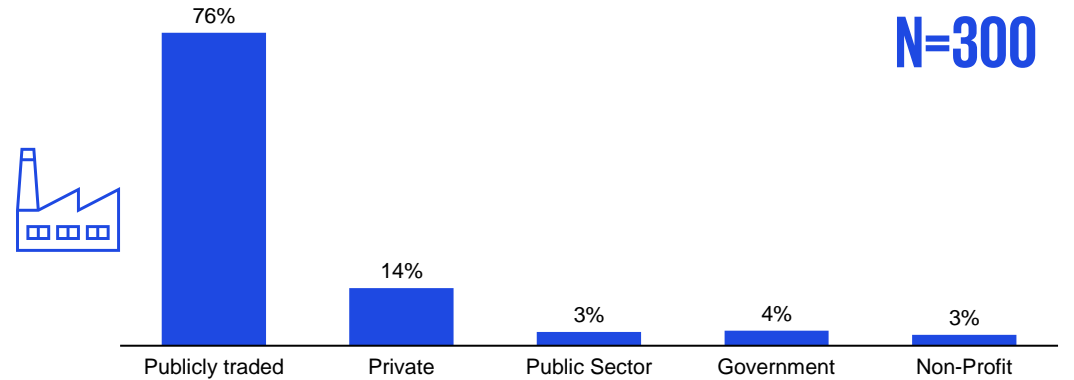
Industry classification^(a)



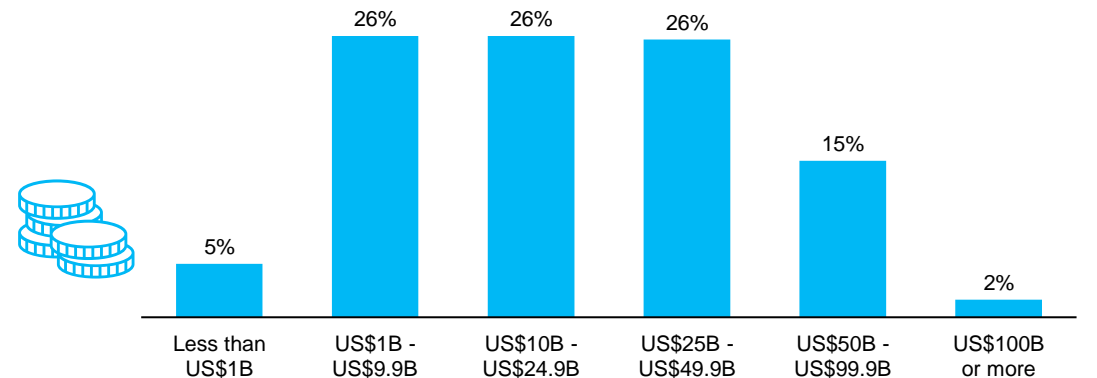
Note(s): (a) questions may not add to 100% due to rounding
Source: IRA survey, Oct 2023

Ownership structure and revenue

Type of organization



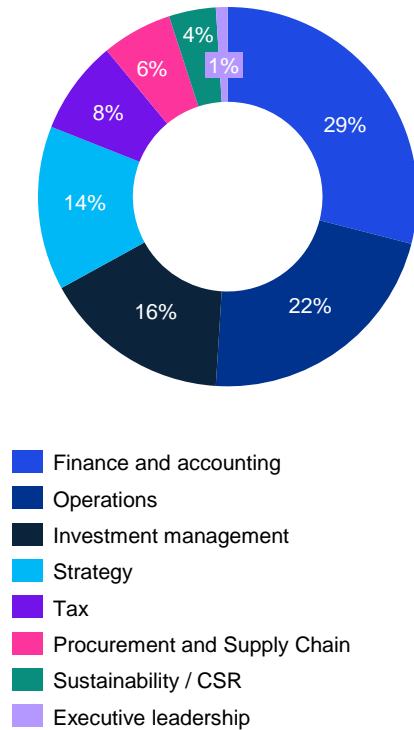
Gross annual revenue of the companies



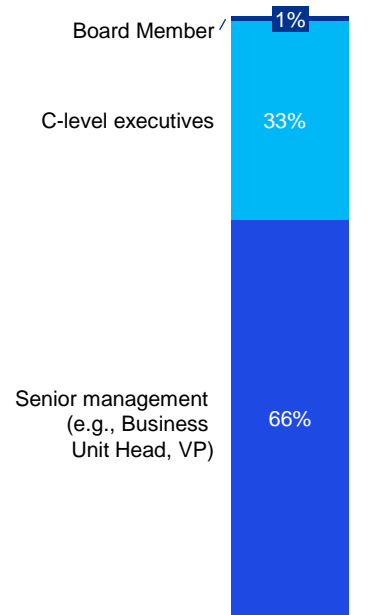
Respondents' demographics

Respondent's role in the organization

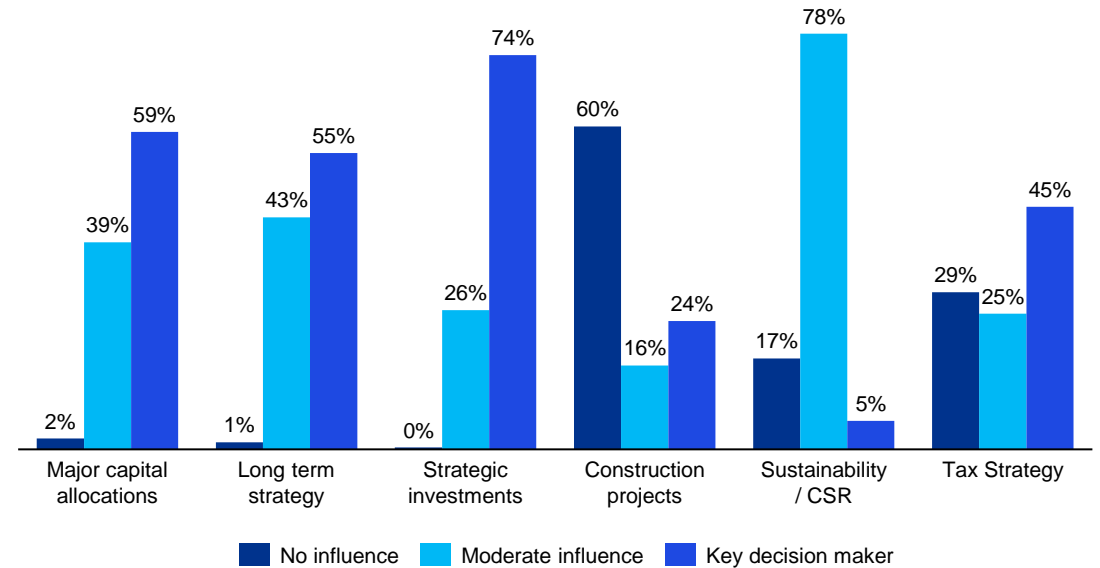
Function / division that respondents represent (a)



Respondents' level in the organization



Degree of decision-making authority respondents have within their organization in key areas



Respondents job responsibility or task directly related to taxes

Yes 48%

No 52%



Note(s): (a) Sales, Customer Service, HR, IT and Others have been removed because of no responses
Source: IRA survey, Oct 2023

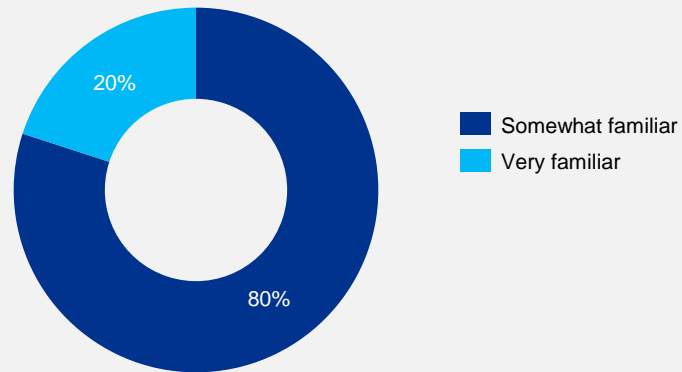
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Key insights

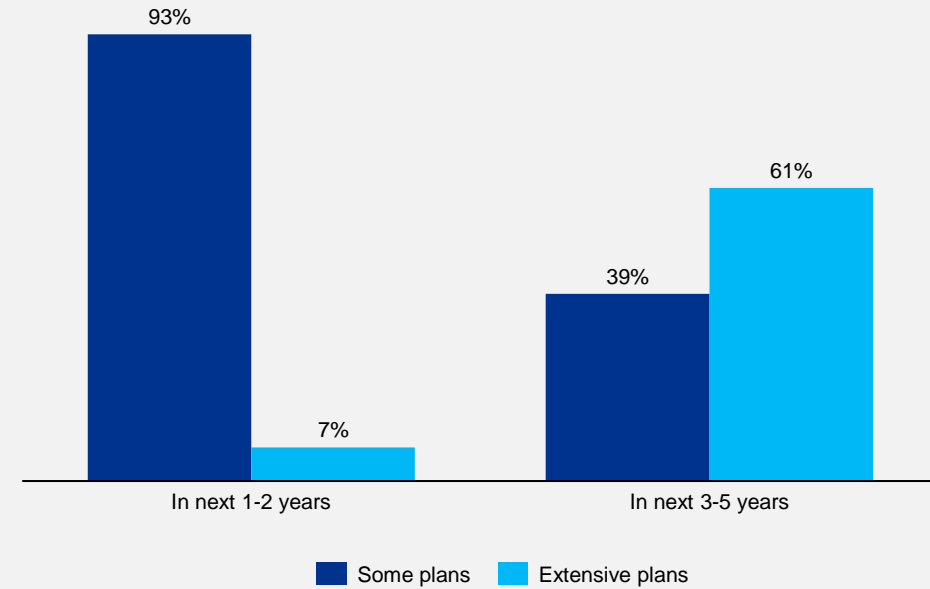
The IRA is a source for competitive advantage – organizations are planning accordingly

The majority of the respondents are familiar with the IRA, with 98% considering it a source of competitive advantage and 68% planning to leverage the IRA in the future.

Level of awareness of the IRA



Plans to leverage the IRA in future



The IRA as a source of competitive advantage

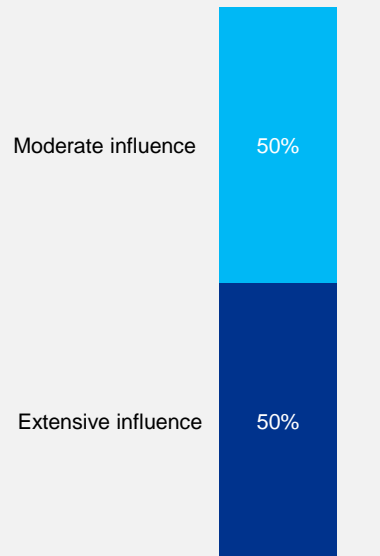


Source: IRA survey, Oct 2023

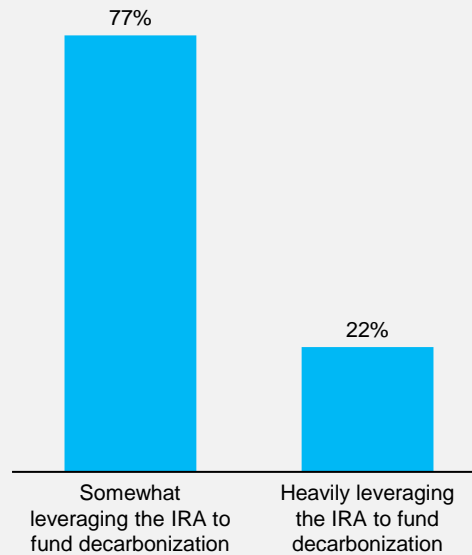
The IRA has major influence on organization's future strategy and planning

All respondents believe that the IRA plays a crucial role in their organization's future strategy and project planning broadly, but also specifically in relation to funding sustainability and decarbonization strategies, with 99% leveraging the IRA to fund their sustainable strategy. A significant number of companies are also adopting other US legislative mechanisms, such as CHIPS Act, to complement their organizations' planning efforts and investments.

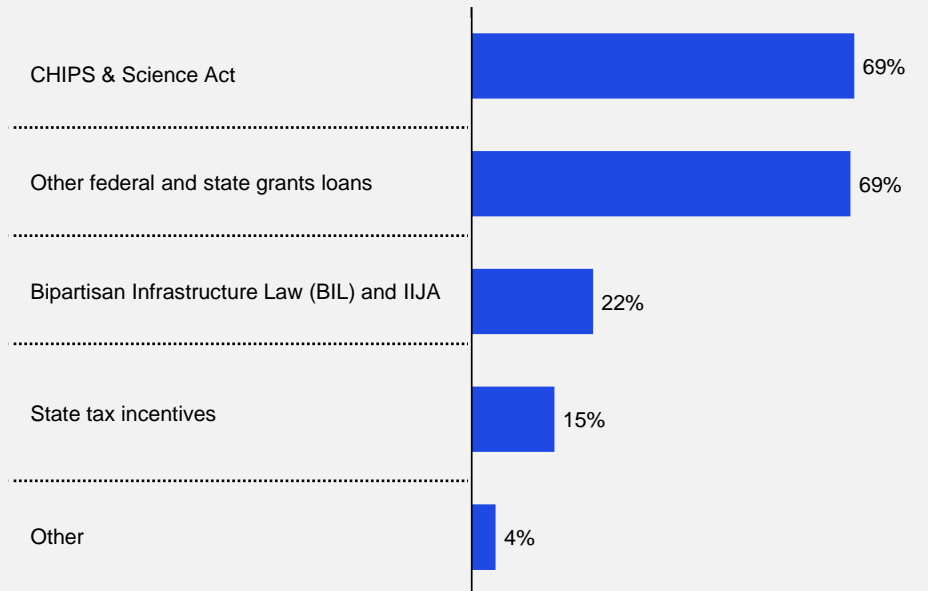
Impact on future strategy & project planning



Funding sustainable strategy and decarbonization plan^(b)



Other US legislative mechanisms being leveraged ^(a)

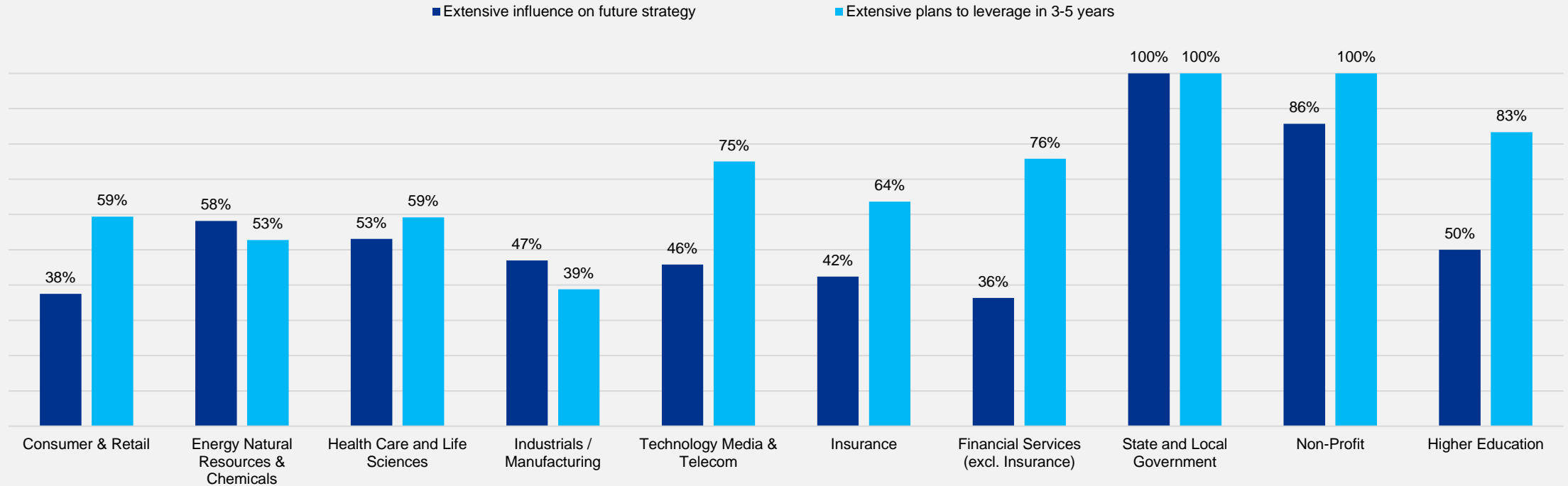


Note(s): (a) Sum does not add up to 100% as it is a multi-select question; (b) questions may not add to 100% due to rounding
Source: IRA survey, Oct 2023

Sectors have individual approaches– according to the IRA’s perceived strategic influence

All sectors have at least some plans to leverage the IRA – but looking specifically at those with “extensive” plans reveals additional insight. Hard-to-abate sectors like Energy and Industrials acknowledge the IRA’s influence on future strategy at a higher rate than they are factoring it into future planning. Government and Non-Profit sectors have extensive plans, likely to take advantage of the new tax-credit transfer market and grants.

IRA’s impact on future strategy and planning – By Sector^(a)



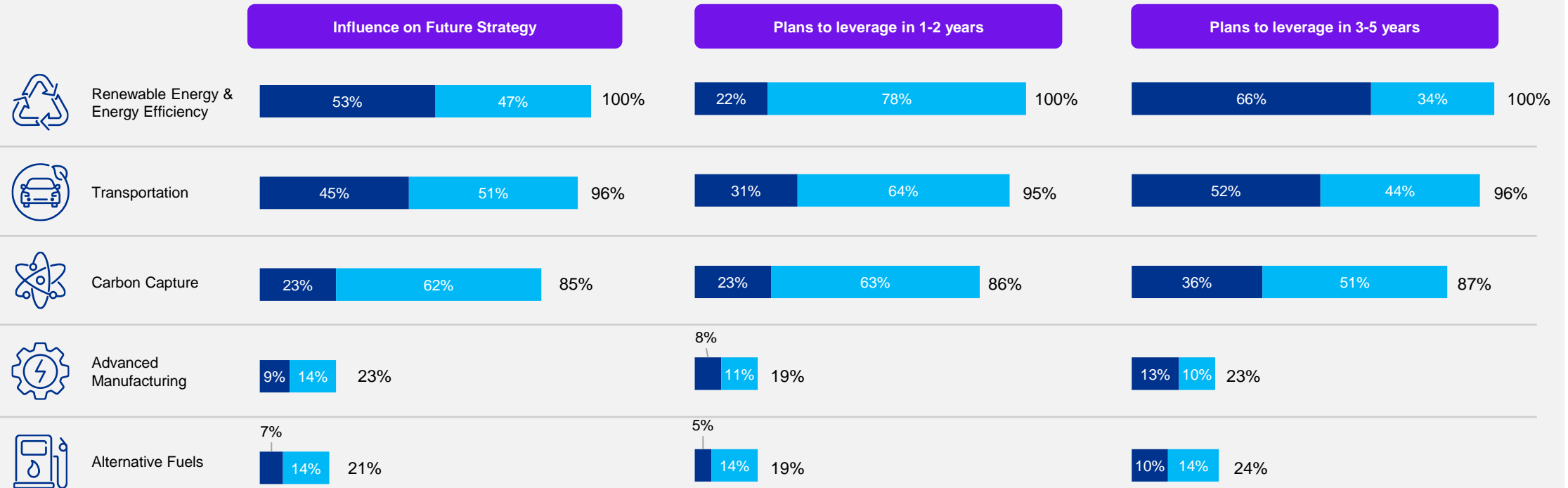
Note(s): (a) Percentages do not add to 100% because responses are from two separate questions
 Source: IRA survey, Oct 2023

Renewables and transportation are the most popular eco-focused IRA provisions

Most organizations are focusing on the Renewable Energy and Energy Efficiency, Transportation, and Carbon Capture provisions. Significantly fewer are planning around the Advanced Manufacturing and Alternative Fuels provisions.

Key: Extensive Moderate

Leveraging environmentally-focused IRA provisions



Source: IRA survey, Oct 2023

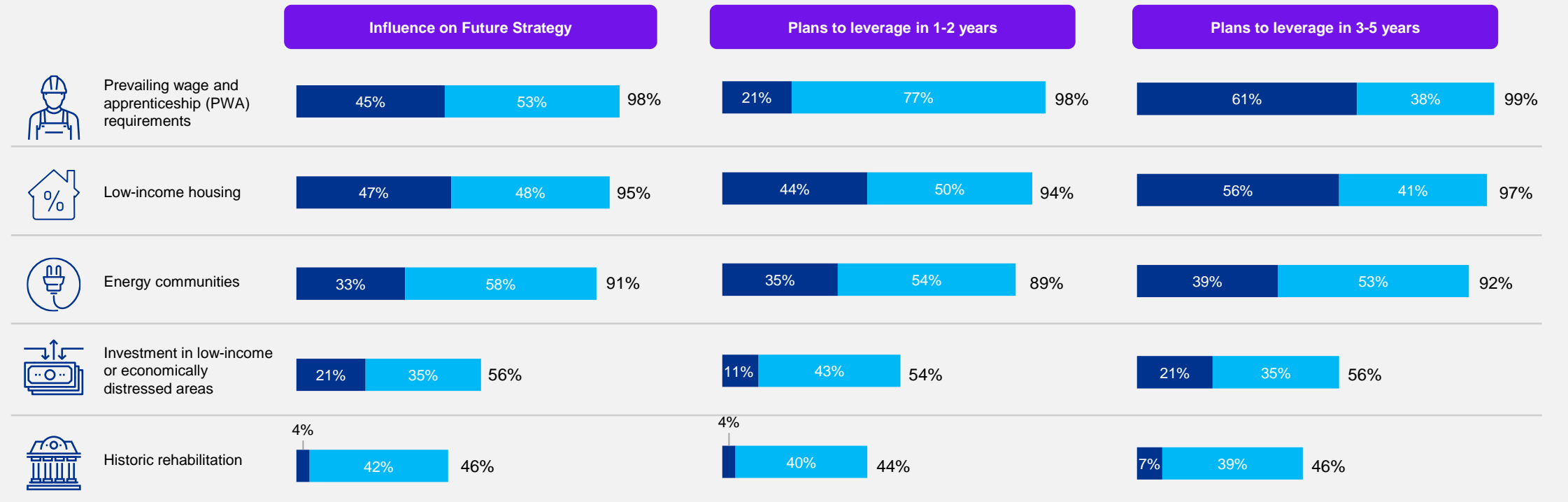


PWA and low-income housing are the top socially-focused IRA provisions

Most organizations are focusing on the PWA, low-income housing, and energy communities provisions. Significantly fewer are planning around the investment in economically distressed areas or historic rehabilitation provisions exclusively. An important nuance is that among the socially-focused provisions, there is significant overlap in target communities.

Key: Extensive Moderate

Leveraging socially-focused IRA provisions



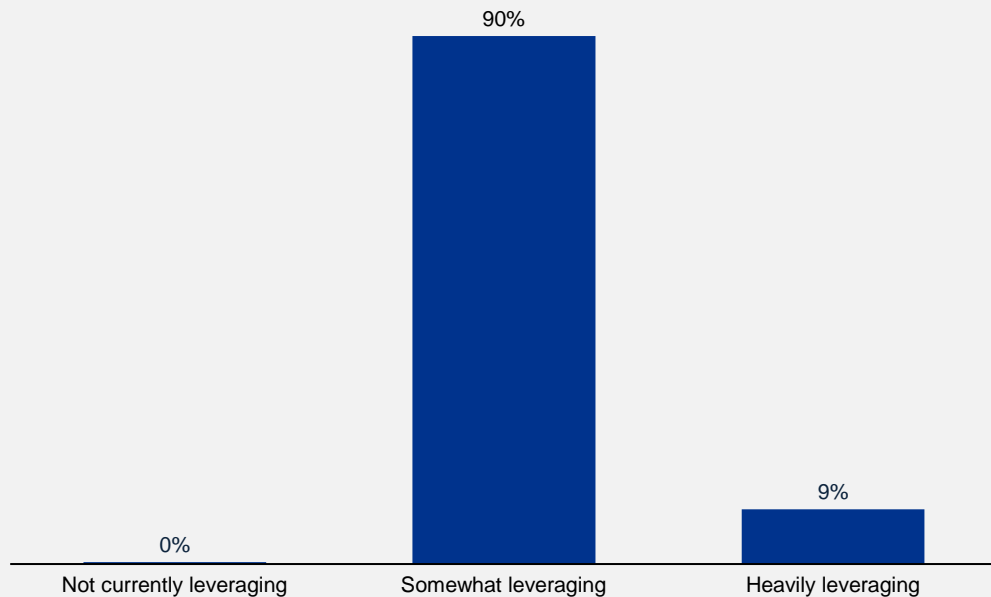
Source: IRA survey, Oct 2023



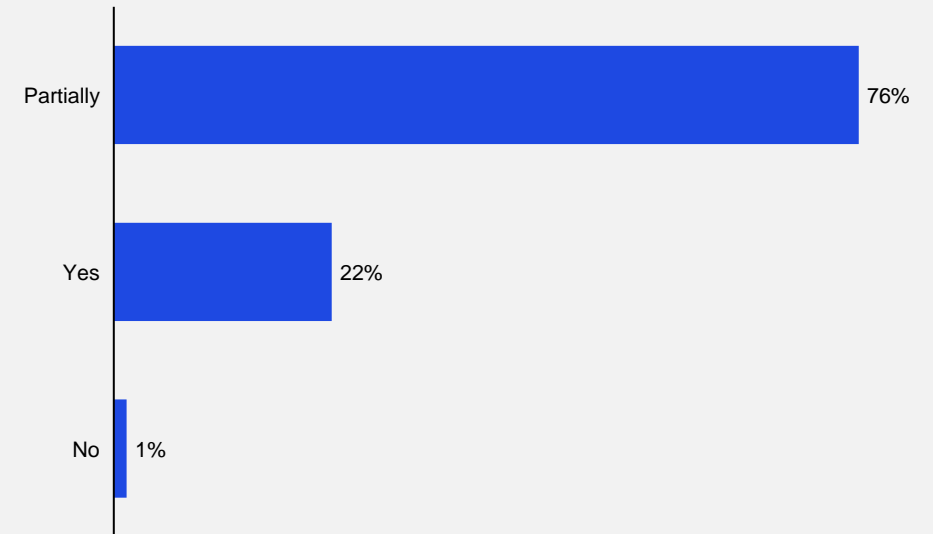
The full potential of the IRA is yet to be realized by organizations

Although a majority of the organizations are currently leveraging the IRA to a certain extent, only ~22% of the companies feel they are utilizing it to its full potential. This is likely due to slow governmental guidance towards individual IRA provisions and because we are at the start of a long journey in relation to the energy transition, decarbonization, and sustainability commitments.

Degree at which organizations currently leverage the IRA^(a)



Organizations utilizing the IRA to the full potential ^(a)

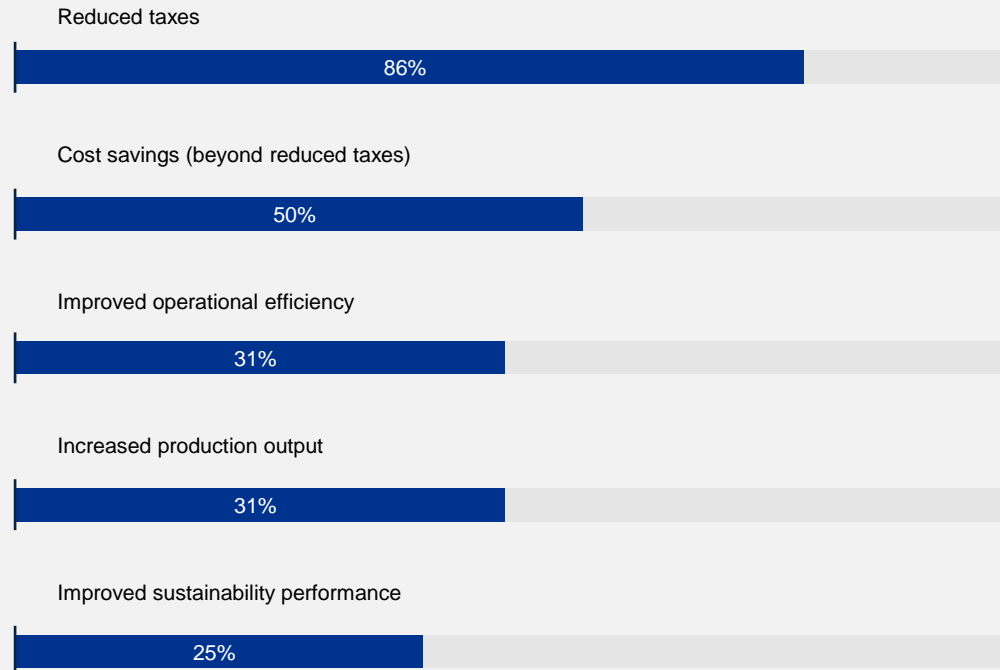


Note(s): (a) questions may not add to 100% due to rounding
Source: IRA survey, Oct 2023

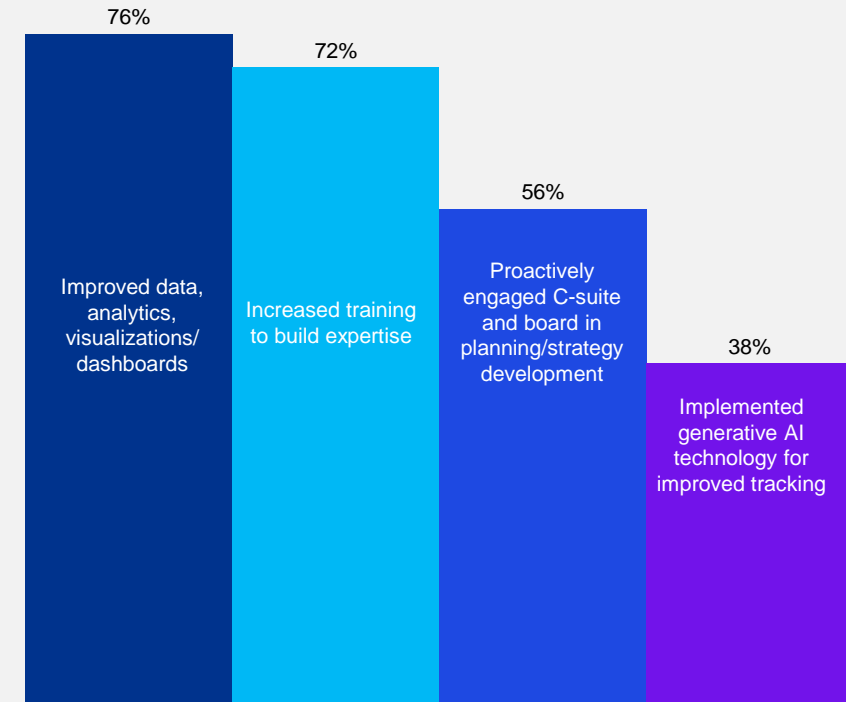
The IRA reduces taxes & costs – to make sustainable projects more appealing & affordable

Leveraging the IRA yields significant financial benefits, transcending tax reduction (a benefit identified by 86% of respondents) to encompass further cost savings and heightened operational efficiency. To maximize these benefits, more than 72% of the organizations are improving data analytics and increasing training to build expertise.

Top benefits organizations anticipate from leveraging the IRA^(a)



Steps taken by organization to maximize the benefits of the IRA^(a)

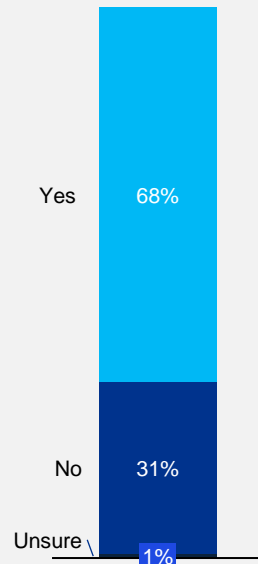


Note(s): (a) Sum does not add up to 100% as it is a multi-select question
Source: IRA survey, Oct 2023

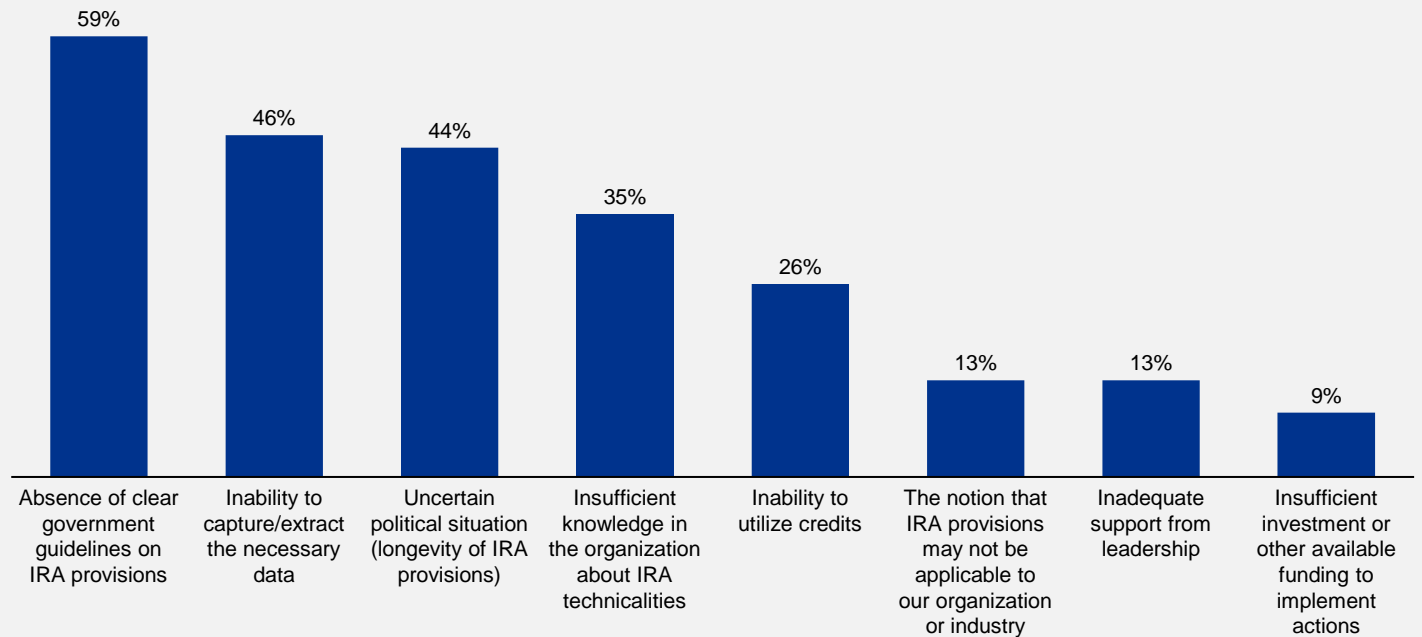
Slow government guidance is the leading barrier in rapid IRA adoption

Slow legislative processes are leading to a delay in clear governmental guidance being issued – causing organizations to delay their IRA plans. Lesser, though still significant, challenges include data collection immaturity and lack of internal IRA expertise. Organizations are also aware that administration changes may impact the IRA's longevity. Consequently, 68% are waiting for more guidance from the government before further leveraging the IRA.

Waiting on governmental guidance before further leveraging the IRA^(a)



Barriers in leveraging the IRA^(a)

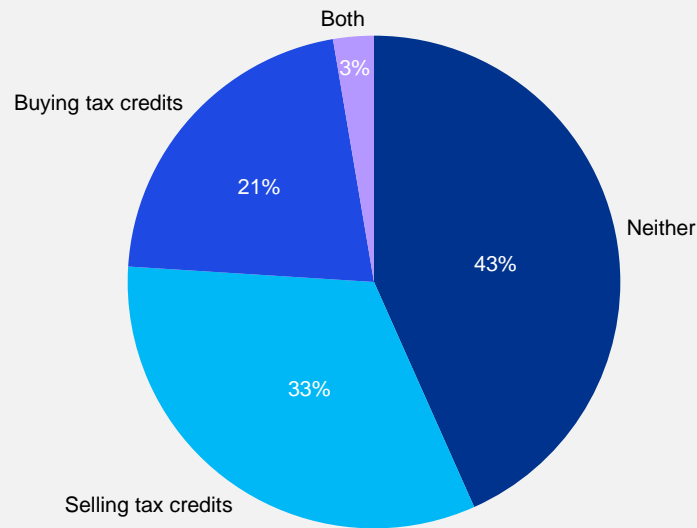


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Source: IRA survey, Oct 2023

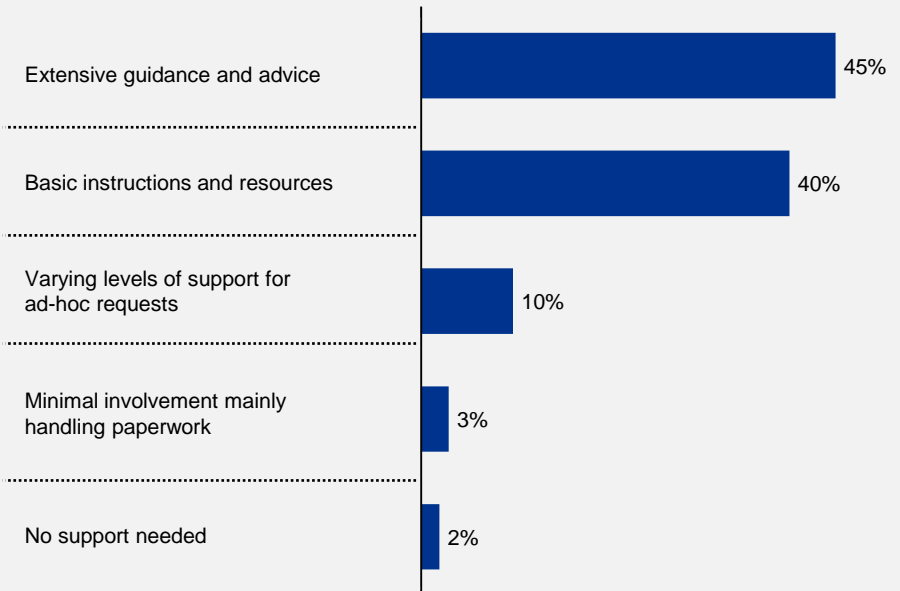
Majority are interested in the new tax credit transfer market, but need 3rd party guidance

57% of the organizations are interested in participating in the tax credit transfer market, of these organizations, more are interested in selling than buying. 85% of both buyers and sellers are seeking some level of guidance and advice from 3rd parties as they navigate the risk involved on both sides.

Organizations interest in buying or selling tax credits



Level of assistance needed from third-party advisors regarding tax credits transfers

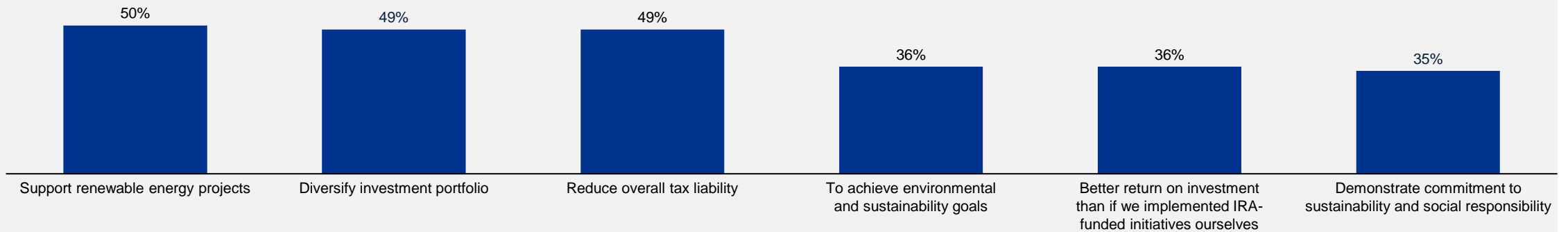


Source: IRA survey, Oct 2023

Buyers are seeking to support renewable projects but lack clear governmental guidance

Outside of clear financial incentives - such as reducing their overall tax liability - buyers are motivated to purchase credits to support renewable projects and to achieve sustainability goals. However, the lack of clear governmental guidance and the risk buyers assume in transactions are key challenges to navigate.

Reasons for organizations to engage in buying tax credits^(a)



Challenges for organizations in buying tax credits^(a)



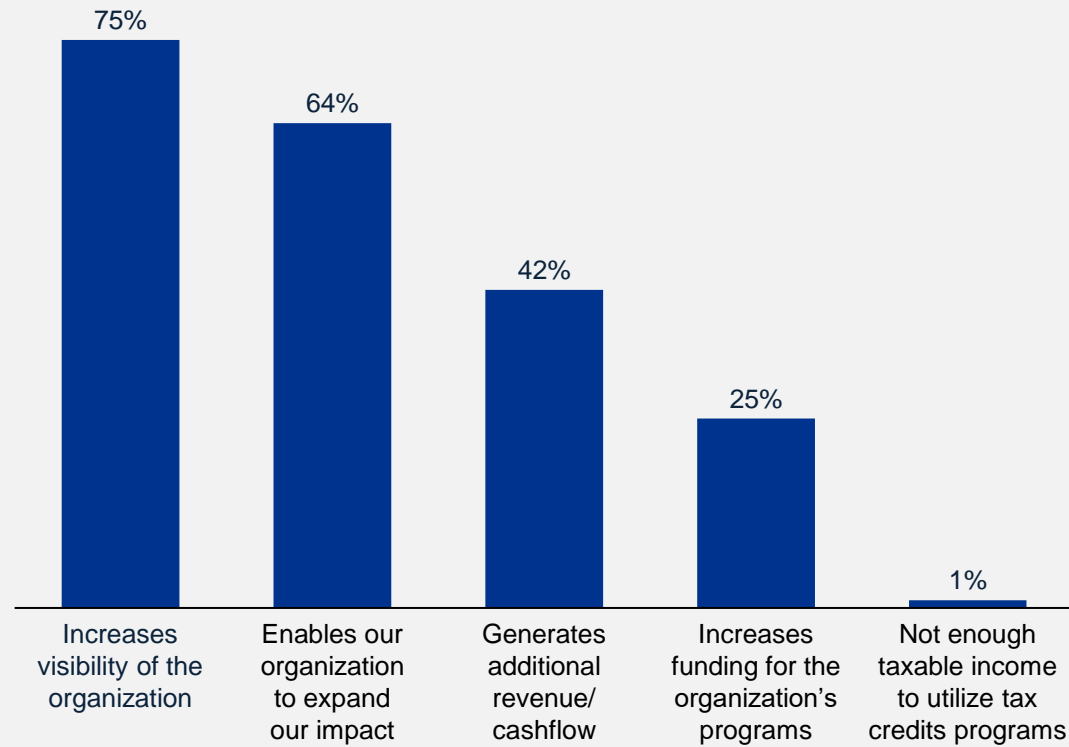
Note(s): (a) Sum does not add up to 100% as it is a multi-select question

Source: IRA survey, Oct 2023

Sellers are seeking to increase their impact & visibility, but face internal skepticism

Sellers are aiming to increase both their organization’s visibility and the impact of their sustainability efforts, all while generating additional revenue. However, they face skepticism internally due to the potential risks associated with selling tax credits and the novelty of the relatively untested process. This has led many to seek out support from 3rd parties that can find potential buyers and add credibility to a seller’s listing – which is becoming increasingly important to have as the market surplus of tax credits for sale currently favors buyers.

Reasons for organizations to engage in selling tax credits^(a)



Challenges for organizations in selling tax credits^(a)



Note(s): (a) Sum does not add up to 100% as it is a multi-select question
Source: IRA survey, Oct 2023

Meet the team to learn more



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