

PRESS RELEASE

The Inflation Reduction Act: curse or blessing for the European economy?

Berlin, 16 November 2023: With the Inflation Reduction Act (IRA), the USA passed a multi-billion dollar package to promote the energy transition. The legislation includes 369 billion dollars for climate and energy over the next decade. The impact on European countries and the business location, particularly on power-to-X applications, is significant. An online [event](#) with the US diplomat and former US ambassador to Germany Richard Burt, the consultancy Frontier Economics, Porsche AG and the trade association en2x provided detailed insights into these effects.

"The Biden administration is more protective than it was during Trump's time. The role of the American economy is seen as more centred. At the same time, we are on the brink of new elections and the question remains if the IRA will continue in its current form if President Biden is not re-elected," assesses Richard Burt, former US Ambassador to Germany and Managing Partner of McLarty Associates. "A subsidy war between the EU and the US must be avoided at all costs and would be counterproductive for both sides in the long term. The aim should be to increase the attractiveness of the respective regions for investment. Sharing knowledge and technologies would rather lead to a win-win situation."

"The different approaches to climate policy on both sides of the Atlantic may lead to considerable tensions in trade relations if they continue. Cohesion is needed, especially in times of increasing global conflicts," says Dr Monika Griefahn, Chairwoman of the eFuel Alliance. "We need to find a common path as role models, promote climate protection technologies of all kinds and strengthen international cooperation in project development and leveraging all synergy potential."

Frontier Economics [analysed](#) the differences between the regulatory framework for the market ramp-up of eFuels in the EU and the US and presented existing challenges and possible solutions. "While the IRA grants producers of eFuels a stable subsidy at a clearly defined level and for a clearly defined period of time, the regulatory framework of European legislators is perceived by market players as very complex and fragmented," says Michaela Unteutsch, Manager at Frontier Economics: "This means that the biggest problems in Europe remain the lack of long-term planning and investment certainty. In contrast, the industry's views on the IRA were clear - stable supply-side support significantly reduces the investment risk, especially during the market ramp-up."

"The IRA clearly shows that the US is taking a fundamentally different approach to decarbonisation and a sustainable economy than the European Union. With tax credits and subsidies, the US is pursuing a supply-side policy that makes clean energy available to the market at an economically justifiable price," said Ralf Diemer, Managing Director of the eFuel Alliance. "The EU, on the other hand, relies on carbon pricing and regulation as the main tool for decarbonisation. We need to follow the example of the Americans and urgently advocate more pragmatism and simplicity."

As a partner of the HARU ONI project in Chile, Porsche AG is leading the way. Porsche uses the eFuels produced by HIF Global for various projects. Arne-Philipp Siemens, Project Coordinator eFuels and Renewable Energies at Porsche: "The IRA activates the hydrogen market and thus the supply chain for renewable fuels. If you combine this investment solution with ambitious quotas from the EU, you create a solid basis for the ramp-up of renewable fuels."

With the Net-Zero Industry Act (NZIA), the EU is attempting to partially respond to the IRA. The [proposals](#) made so far are essentially pragmatic, but still leave room for improvement in their respective formulations. The plenary vote is scheduled for the end of November.

>>>The eFuel Alliance e.V.<<<

The eFuel Alliance is an interest group committed to promoting political and social acceptance of eFuels and to securing their regulatory approval. We represent more than 170 companies, associations and consumer organizations along the eFuel production value chain. We stand for fair competition and equal competitive condition for all relevant emission reduction solutions. We are firmly committed to further climate change mitigation and seek recognition for the significant part eFuels can

PRESS RELEASE

play in sustainability and climate protection. Our aim is to create the conditions for the industrial production and widespread use of CO₂-neutral fuels from renewable sources of energy.

>>>CONTACT<<<

eFuel Alliance e.V.

Head of Press and Public Relations

Jan Wehrhold

T +49 160 6585 763

E wehrhold@efuel-alliance.eu