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Biden's energy transition subsidies spark national jubilation for the business community [News analysis](#)

[Arnaud Leparentier](#)
[New York \(United States\) correspondent](#)

The Democratic administration has chosen to pour over \$420 billion into its economy to Americanize the green transition and the microprocessor industry.

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"You should do the same": that's how Joe Biden's energy secretary, Jennifer Granholm, rebuffed European complaints about the massive subsidies provided by the Biden administration through the Chips Act and Inflation Reduction Act (IRA). Adopted in the summer of 2022, these two laws subsidize the microprocessor industry and energy transition to the tune of \$52 billion and \$369 billion (€49 and €347 billion) respectively. There is something for everyone, so much so that the White House has published a small explanatory text of... 184 pages on the IRA. And the entire American energy sector was rejoicing in early March at CERAWEEK in Houston, the oil and energy forum organized by S&P Global, the parent company of the rating agency, because this policy is changing the industrial landscape across the Atlantic.

In the United States, it doesn't matter whether energy is blue or green. Thanks to West Virginia Senator Joe Manchin, a Democrat who increased his demands in order to vote for the bill in the summer, everything is eligible for credits: nuclear, hydrogen, solar, wind, grid, electric cars, auto factory and power plant conversions, individual home insulation. In the form of investment aid or production credit – a certain sum is paid for every clean kilowatt-hour produced or a certain amount of CO₂ sequestered – provided, among other things, that wages meet federal state requirements.

In short, national jubilation is spreading, in the name of strategic independence and the energy transition that the United States wants to champion. Donald Trump had dreamed of "America first" but it is Joe Biden who is making it come true. The sacred union is such that Elon Musk was even welcomed at the White House and publicly thanked on Twitter by Joe Biden for making his network of car charging stations available. All this is done in splendid isolation, with a country that is closed to immigration and suffers from a labor shortage.

'Carrot or stick'

In this atmosphere of elation, few critical voices can be heard. But this was also the case when Joe Biden passed an ill-timed and excessive stimulus package early in his term that

contributed to bringing back inflation. Spread out over ten years, the sums involved look small – less than 0.2% of GDP each year – but they boost margins and reduce facility costs, suddenly making many investments profitable. So the effect is more significant than it seems. Added to this are massive subsidies offered by state and local governments. At the beginning of February, the *Financial Times* reported on how states had rolled out the red carpet and public subsidies to welcome foreign companies' factories: in Georgia, \$360 million for the Norwegian battery company Freyr, in Michigan, \$715 million for their Chinese competitor Gotion, while Indiana and Ohio have land reserved for future investors. The craze involves all states, including the Republican oil strongholds of the MidWest, and is attracting Europeans en masse. "From the European perspective, you're lucky," sighed Josu Jon Imaz, CEO of Spanish oil company Repsol, in Houston on March 6. "What you have here is a carrot; what we have in Europe to accelerate the energy transition is a stick."

However, obstacles remain. The executive orders will not be available for many months, and neither will the legislation that is supposed to speed up the granting of permits, which take years to obtain, especially for pipelines. An army of lobbyists, lawyers and advisors are scouring Washington for the subsidies that the government wants to hand out so generously.

Shortage of skilled labour

Amidst this rush, there are bottlenecks: the power grid is in such poor condition that wind and solar operators have to wait many months, even quarters, to get connections. Inflation has driven up costs to the point where offshore wind farm builders in the North Atlantic coast off Boston tried to renegotiate their contracts with Massachusetts authorities in late December 2022 but failed.

The shortage of skilled labor, whether electricians or construction workers, is a major obstacle, especially for Intel, which is struggling to build its huge factory, the construction of which was inaugurated in Ohio by Joe Biden in the fall of 2022. And the promises of subsidies are not preventing the former glory of semiconductors from going downhill commercially as well as on the stock market.

This attitude exasperates the *Wall Street Journal*, which denounces Joe Biden's spending policy for a "rise of kickback capitalism": "Corporate America loves handouts too... Shame on Intel for pushing this [the Chips Act] through."

And, in the end, the country runs a similar risk of a boomerang effect like the one caused by the Federal Reserve's free money policy. When everything is subsidized, companies invest in anything and the bursting of the bubble is painful. But for the moment, America is celebrating.

[Arnaud Leparmentier \(New York \(United States\) correspondent\)](#)