

ECON Committee Debates European Union's Reaction to US Inflation Reduction Act

19 July 2023

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On 18 July 2023, the Committee on Economic and Monetary Affairs (ECON Committee) hosted the [third exchange of views](#) with respect to the US Inflation Reduction Act (IRA) and its impact on the European Union's economy and competitiveness, in particular with a view to the implications on state aid rules and policy. The IRA is a set of measures that represents the United States' largest effort into addressing climate change mostly through tax subsidies.

According to Executive Vice-President of the European Commission, Valdis Dombrovskis:

- there is a strong and important partnership between the European Union and the United States on trade and investment flows given the existing transatlantic relationship. The European Union has to nurture this relationship and avoid any irritancy; and
- the European Union welcomes the US climate ambitions and the important contribution of IRA to the global efforts to mitigate climate change.

However, Dombrovskis expressed the European Union's concern with respect to (among other things):

- protectionism elements enshrined in the IRA (i.e. local content requirements which will disrupt the competitive position of the European Union at global level);
- adapting EU state aid rules given the expected allocation of large amounts of public funds in the form of state aid which is likely to have a significant economic impact on the internal market and Member States' budgets; and
- the uncapped tax subsidies offered through the IRA which will lure companies in the United States.

Further details on the European Union's response to the IRA can be found [here](#).

The European Union aims to continue its research to find pragmatic solutions with the aim to mitigate any disruption in the European Union vis-à-vis the US IRA.

