ENERGY INNOVATION
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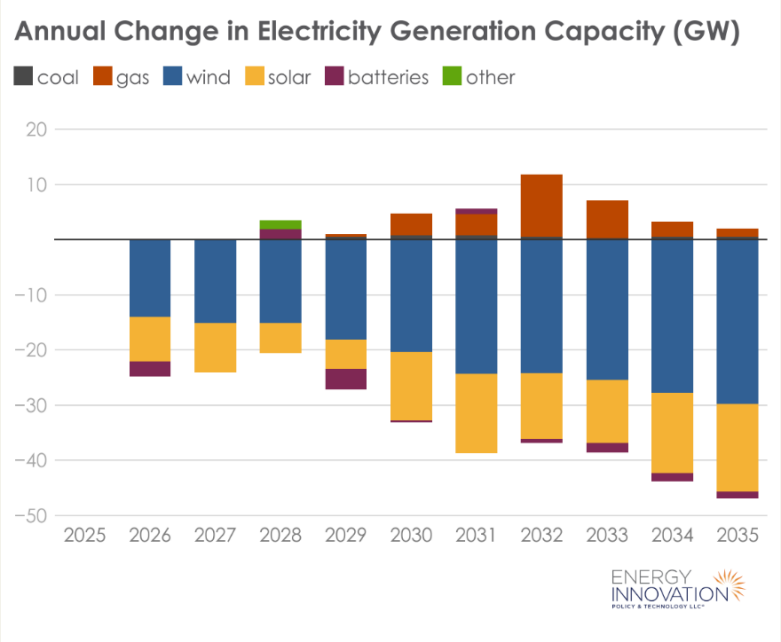
Economic Impacts of U.S. Senate "One Big Beautiful Bill Act" Energy Provisions

Summary

The United States Senate's Budget Committee released its version of the "One Big Beautiful Bill Act" on June 28th" with text building upon the U.S. House of Representatives' version, adding an excise tax to new wind and solar energy facilities atop other policies including increased oil and gas leasing, lower fossil fuel royalty rates, clean energy tax credit repeal, and delayed funding for agricultural and forestry conservation.

The bill will result in many fewer additions of new cost-effective electricity capacity, raising power prices for consumers and decreasing U.S. GDP and job growth in the coming years. This summary of impacts is an addendum to our national and state-by-state modeling of the House text released on June 10th.



Fewer Power Plant Additions

By repealing technology-neutral clean energy tax credits and adding a new excise tax on renewables, the bill would significantly hamper the development of domestic electricity generation capacity. The excise tax proposed under the Senate Budget text would cause even fewer power plants to be built than the House bill or the Senate Finance text. By 2035, we forecast a 300 gigawatt decrease in generation capacity due to policies in the Senate Budget text.

In the Senate Budget scenario, wind sees the greatest losses, with about 210 GW less capacity by 2035. Solar sees 110 GW less capacity in 2035. Around 10 GW fewer grid batteries would be installed on that timeline. We foresee 30 GW of additional natural gas capacity by 2035, but the current supply chain backup will prevent any additional gas buildout in the next five years, during which time data center load growth is expected to drive demand for new power capacity.

That means this bill will simply make it more expensive to meet growing demand in the next five critical years in the global AI race, damaging industrial competitiveness.

Increased Power Prices

Under the Senate Budget scenario, the loss of low-cost renewables and higher induced gas prices would lead to significant increases in the price of electricity. Wholesale electricity prices increase by 19 percent by 2030 and 61 percent by 2035[1]. Wholesale electricity costs would balloon from $160 billion in 2035 with current policies to $250 billion in the Senate Budget scenario, a 56 percent increase over current policies. Utilities are expected to pass these costs on to consumers: Under either version of the Reconciliation package, electricity rates would increase 9 to 16 percent for residential, commercial, and industrial consumers.

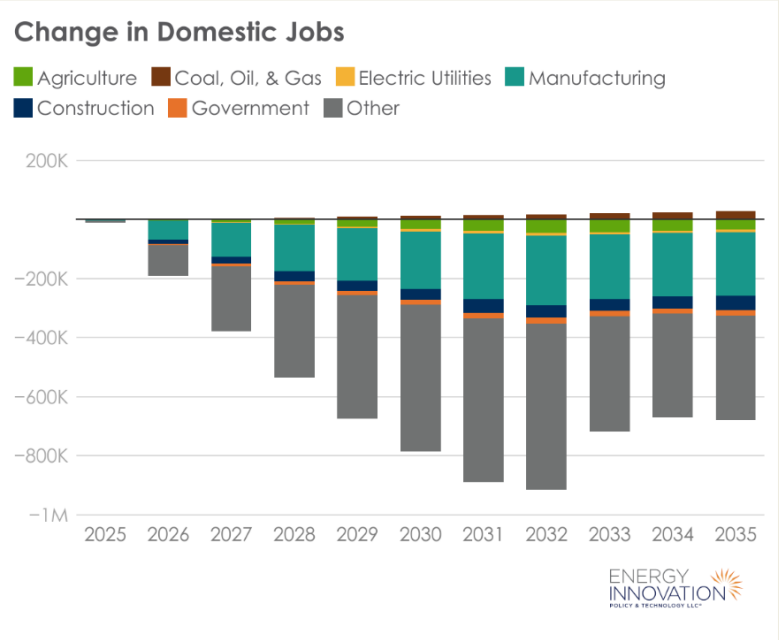
Households will face significantly increased energy costs, albeit ameliorated by the Byrd exclusion of U.S. Environmental Protection Agency tailpipe rule repeals in the bill. Without the tailpipe repeal, we find approximately $160 annual increases in household energy bills by 2030 due to the Senate Budget text. Note that household impacts will vary significantly by state; Our prior modeling found electricity increases of over $400 per year by 2035 in some states.

Decreased Economic Activity

As deployment of new energy resources and advanced manufacturing decline under the bill, the U.S. will lose out on significant planned private investment.

We see annual losses of $130 billion in GDP by 2030 and $100 billion by 2035. Summed through the budget window, energy provisions in the Senate Budget bill would cost the U.S. $960 billion in GDP.

Workers will suffer from factory closures and construction halts. We forecast job losses of 770,000 jobs by 2030 due to the Senate Budget bill. Job losses peak at 900,000 in 2032, before shrinking to 650,000 in 2035.



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Full results of our modeling are available on Zenodo here.

[1] The percentage increase in price is higher than costs because of changes in total demand for electricity.