CLIMATE XCHANGE

# What States Can Do

# The Budget Bill's Climate Impacts

JULY 10TH 3:00PM ET

# Introduction

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State Climate Policy
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CLIMATE X CHANGE
[SCPN]

# State Climate Policy Network


Network of **15,000+**

- ➔ State and local elected officials
- ➔ NGO advocates
- ➔ Researchers
- ➔ State agency staffers
- ➔ Organizers and activists
- ➔ Business leaders

... working on state climate policy

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# Pro Bono Policy Assistance

We specialize in state climate policy design and analysis.
Reach out to kristen@climate-xchange.org with your requests on:

- **Example states** and **model rules** for a given policy
- **Gap analysis** of your state's climate policy landscape
- **Connections** to other actors working on similar issues

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# *The Budget Bill's Climate Impacts: What States Can Do*

**Tony Sirna**
*Senior Policy Lead*
*Evergreen Collaborative*

**Jordan Gerow**
*Policy & Research Director*
*Climate XChange*

## Agenda

1. The Budget Bill's Cuts to Climate, Clean Energy, and Other Key Sectors
2. State Policies to Fill the Gaps
3. Q&A

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# Speaker

Tony Sirna

**Interim Deputy Policy Director**

Evergreen Collaborative

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Evergreen Collaborative

# One Big Climate Disaster

## Clean Energy and Climate Provisions in the So-Called “One Big Beautiful Bill”

Tony Sirna, Evergreen Collaborative

# OBBB: One Big Climate and Economic Disaster

⛏️ **Killing employment: ~800,000** lost jobs by 2030

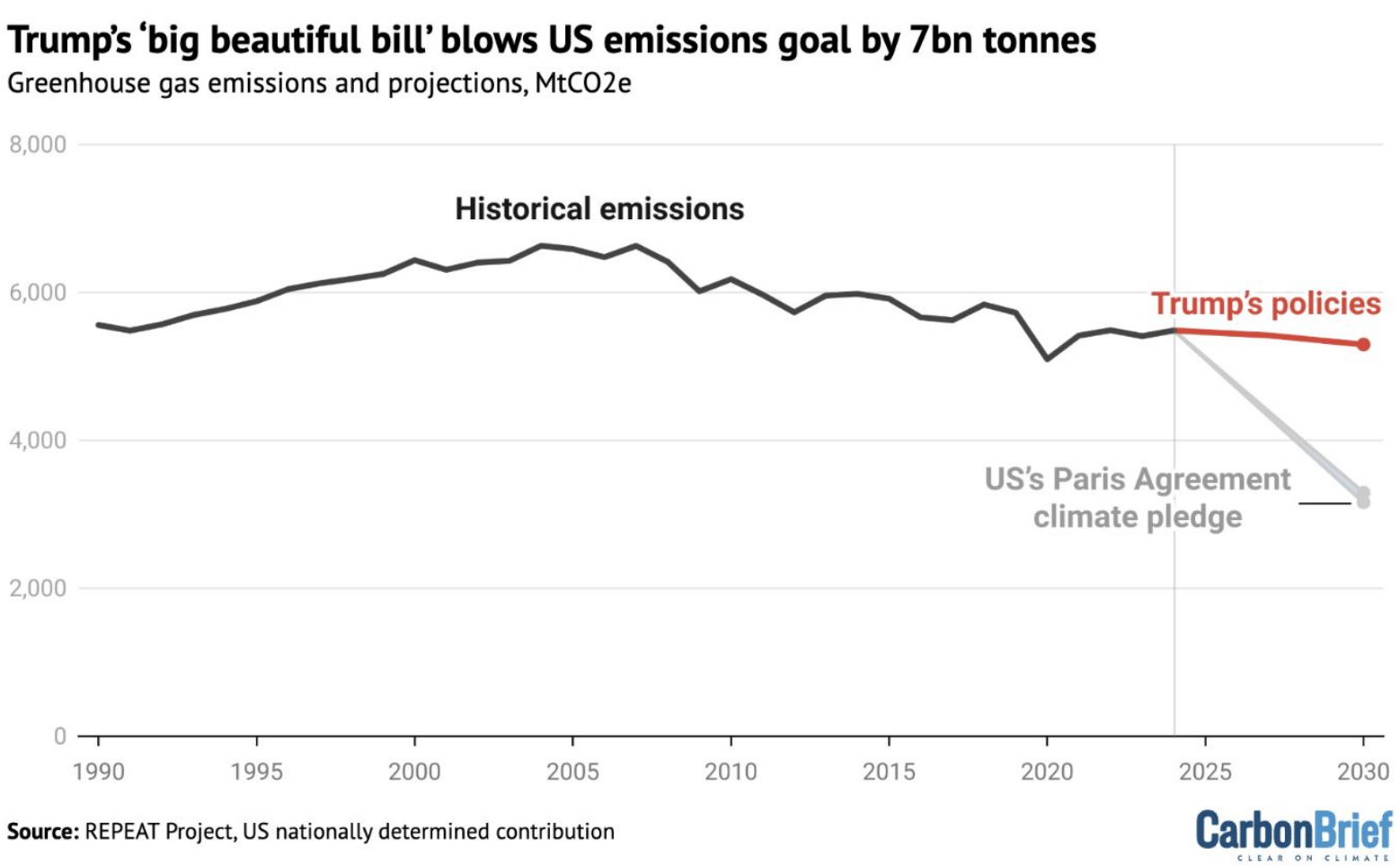
🧾 **Expensive bills:** Average U.S. electricity bills will rise by **10%**

⚡ **Less energy abundance:** Slashing new energy capacity when demand is skyrocketing with A.I. and electrification demands.

🏭 **Dismantling American clean energy manufacturing leadership**

🏥 **Health harm,** 930 avoidable air-pollution related deaths by 2035.

❌ **America's climate pollution rates will essentially flatline**, which is a very far cry from the rapid emissions reductions that are desperately needed to combat the climate crisis.




Source: REPEAT Project, US nationally determined contribution.

# Clean Energy

# Clean Energy Tax Credit (45Y and 48E)

OBBB *rapidly phases out* the Production Tax Credit (45Y) and Investment Tax Credit (48E) for **wind and solar projects.**

| | |
|---|---|
| **Four-year window** to be *placed in service* | Wind and solar projects that *commence construction* **before December 31, 2025** get a four-year window to be placed in service. They do not have to comply with new FEOC material assistance restrictions. |
| | Wind and solar projects beginning between **Jan. 1, 2026 and July 4, 2026** also get a four-year window to be placed in service. **They must comply with FEOC restrictions.** |
| Must be *placed in service* by **December 31, 2027** | Projects that commence construction from **July 5, 2026** through **December 31, 2027** must be placed in service before 2028. **They must comply with FEOC restrictions.** |

# Clean Energy Tax Credit (45Y and 48E)

*However....*

- New **foreign entity of concern (FEOC)** requirements on wind and solar will likely be too burdensome for many developers to meet.
- Trump promises to crack down on the “safe harbor” clauses.

Meanwhile, **geothermal and battery storage** remain eligible for full value of ITC/PTC through 2033, progressively phasing out by 2036.

# Clean Energy Tax Credit (45Y and 48E)

**Impacts of Phase-Down of Clean Energy Tax Credits:**

🧾 **Skyrocketing energy prices:** Increase annual energy bills up to $140-$220 per household across the country in 2040.

⛏️ **Kill good-paying jobs:** Repeal of 45Y and 48E alone results in 100,000 fewer full-time job. Full OBBB is ~800,000 lost jobs.

⚡**Harm grid reliability:** Clean energy is 93% of new energy capacity added to the U.S. grid last year.

❌ **Jeopardize billions of dollars of existing investments**

# Foreign Entity of Concern (FEOC)

- New **FEOC requirements** cover clean energy and manufacturing tax credits.
- Starting January 1, 2026, the OBBB imposes additional restrictions that disqualify solar, wind, and any other projects that receive material assistance from “foreign entities of concern,” including China.
- Projects must also pass new Prohibited Foreign Entity (PFE) tests tied to foreign ownership and influence.
- **Impact?** Creates cumbersome restrictions that render the tax credit largely unworkable.

# Derailing Transmission Reforms

**What does OBBB do?** Rescinds and repeals unobligated transmission facility financing, grants to facilitate the siting of interstate electricity transmission lines, and interregional and offshore wind electricity planning, as well as modeling and analysis.

**Key Impacts:**

- Sabotages efforts to make our grids more affordable, reliable, resilient, and energy secure.

# Department of Energy Loan Program Office

This provided financing for new clean energy and advanced manufacturing projects under the Loan Program Office.

**What does OBBB do?** Amends the 1706 program by cutting the requirement that projects reduce emissions, adds extra categories for project eligibility, and provides $1 billion in credit subsidy for energy and minerals projects.

**Key Impacts:**

- Harms US businesses and energy technology leadership
- Cost to American taxpayers, as the program has returned $5B in profit to taxpayers via interest on loans.

# Transportation

# Electric Vehicle Credit (45W, 30C, 30D, 25E)

Households and commercial companies could previously receive tax credits for purchasing new electric vehicles (up to $7,500) and used EVs (up to $4,000) as well as for chargers and installations.

**What does the OBBB say?**

- **Ends tax credit** for new EVs (30D), used EVs (25E), commercial clean vehicles (45W) and fueling infrastructure as of September 30, 2025.

**Impact:** New and used vehicles less financially accessible.

# Housing

# Home Efficiency Tax Credits (25C, 45L, 179D)

## What does the OBBB say?

- Eliminates the Energy Efficient Home Improvement Credit (25C) effective December 31, 2025.
- Eliminates the New Energy Efficient Home Credit (45L) after June 30, 2026.
- Amends the Energy Efficient Commercial Buildings Deduction (179D) so it does not apply to property whose construction begins after June 30, 2026.

**Key Impacts:** Takes money out of people's pockets by making home energy upgrades more expensive

# Residential Clean Energy Tax Credit (25D)

**What does the OBBB say?** Eliminates Residential Clean Energy Tax Credit after December 31, 2025. This credit had previously incentivized homeowners to install solar panels, water heating, fuel cells, wind, geothermal, heat pumps, and battery storage facilities.

**Key Impacts:**

- High costs for home energy upgrades and lost access to $1,250 savings per year in utility bills
- Slashing source of new energy capacity
- Killing jobs

# Manufacturing

# Manufacturing Tax Credits (45X and 48C)

**What does the OBBB say?**

- Retains portion of 45X credit at full value through 2032;
  - Credit for wind components is terminated after 2027.
  - FEOC restrictions apply to the 45X credit.
- Handout for metallurgical coal used for steel production as a critical mineral under the credit through 2029.
- Expands eligible battery components available for 45X credit.
- 48C is effectively repealed after two years
  - Does not allow for the recycling of rescinded credits from failed projects to qualified ones.

**Key Impacts:** 45X and 48C support U.S. clean energy manufacturing renaissance. Amended, it will create uncertainty.

# Advanced Industrial Facilities Deployment Program

This program funded $5.8B to advance industrial decarbonization. Examples of funding include low-carbon cement projects, next-generation aluminium manufacturing, and low-carbon steel.

**What does the OBBB say?** Rescinds unobligated balances

**Key Impacts:**

- Major blow to U.S. global economic competitiveness as American businesses fight for market share in increasingly decarbonized steel, cement, aluminium, and other heavy industries.

# Fossil Fuel Extraction

# Oil, Gas and Coal Handouts

**What does the OBBB say?** Sets a floor for minimum number of onshore and offshore oil and gas sales annually. Reinstates onshore non-competitive leasing, lengthens drilling permit terms, cuts royalty rates. Massive expansion of coal leasing across federal lands.

**Key Impacts:**

- OBBB **recklessly accelerates oil and gas extraction** on America's public lands and waters.
- More oil and gas drilling increases air, water, climate pollution.
- Hold back our economy by supporting reliance on non-renewable energy resources.

# Methane Waste Reduction Program

Waste Emissions Charge required oil and gas operators to pay a penalty fee if they exceed a certain level of methane pollution.

**What does the OBBB say?** All unobligated funding for financial and technical assistance for methane monitoring and mitigation are rescinded. The collection of the Waste Emissions Charge is postponed until 2034, rendering the fee largely ineffective for the next decade.

**Key Impacts:**

- Increase in harmful greenhouse gas super pollutant.
- Disproportionate impact on communities of color

# Other Key Programs

# Greenhouse Gas Reduction Fund

GGRF was the largest grant program in the IRA. Three programs: (1) National Clean Investment Fund, (2) the Clean Communities Investment Accelerator, and (3) Solar for All. Provided investment in pollution-reducing clean energy technology and green banks.

**What does the OBBB say?** Repeals GGRF and any unobligated balances are rescinded.

**Key Impacts:**

- GGRF funding has been technically obligated and is being litigated, but this rescinding harms program implementation and oversight at EPA.

# Climate Pollution Reduction Grants

CPRG created to provide grants to state, local, and Tribal governments to create and implement programs that reduce emissions and support jobs.

**What does the OBBB say?** Rescinds any unobligated funding for both plans and implementation grants.

**Key Impacts:**

- Many awarded states will stall or halt pollution reduction plans that were intended to create jobs, reduce energy/transportation costs, and mitigate pollution in impacted communities.

# Environmental Justice Block Grants

Also known as Community Change Grants, this $3B federal program aimed to empower disadvantaged communities to determine and design their own visions of pollution reduction and clean energy investment.

**What does the OBBB say?** All unobligated funding is rescinded

**Key Impacts:**

- Less financial support for community-led organizations to provide services to households living near sacrifice zones.
- Impacted services include pollution monitoring and remediation; projects to counter urban heat islands and more.

# Opt-In NEPA Review

**What does the OBBB say?** New “opt-in fee” mechanism allows project sponsors to receive special treatment in the environmental review process. In exchange for a fee of 125 percent of the costs to prepare the environmental document, the project sponsor receives an expedited review.

- **Key Impacts:** A continuation of the “pay-to-play” politics we saw in the GOP’s House version, but this time, the bill is attacking the National Environmental Policy Act (NEPA).

# Questions?

Email Tony Sirna, Interim Deputy Policy Director
tony@evergreenaction.com

# Resources

Evergreen's Analysis: The One Big Beautiful Bill is A Disaster for Affordability, Jobs, and Clean Energy

Evergreen Collaborative

# Speaker

Jordan Gerow

**Policy & Research Director**

Climate XChange

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# The OBBBA's Assault on Climate

## (And How States Can Fill the Gaps!)

**NOW**
is the time
for **states** to
# LEAN IN

We have:

The most
JURISDICTION

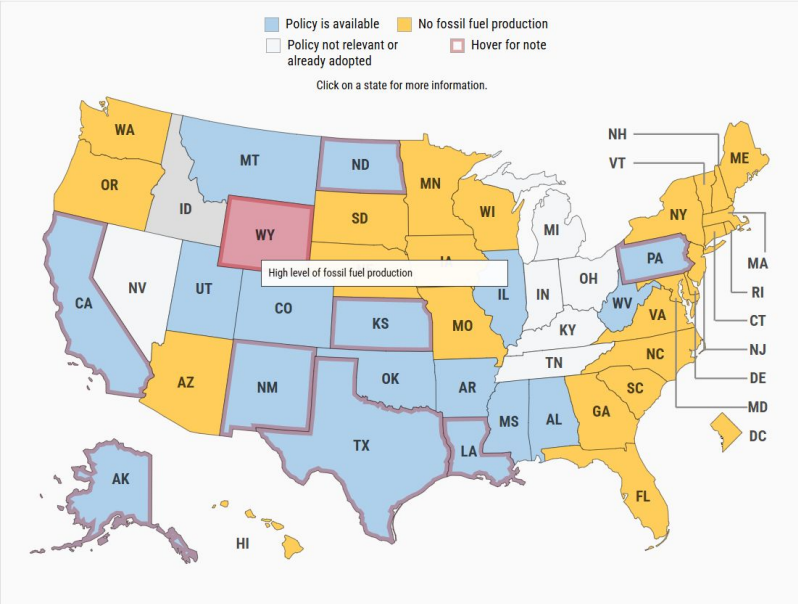
Support of
COMMUNITIES

Industries to
DEFEND

# The Budgeting Challenge

Theoretically, states can fight some federal budget cuts with targeted state budget support. But this is never easy in practice.

CBPP's State and Local Revenue Options provides a starting place for understanding different levers for raising state money – including environmental/polluter pays options.



# OBBBA: Phasing out the PTC and ITC for Wind and Solar

- PTC and ITC phased out for wind and solar projects that do not begin construction before July 4, 2026, or become operational before 2028.
  - Executive Order from Monday calls for Treasury guidance to ensure “beginning of construction” policy is not circumvented.
- Foreign Entity of Concern (FEOC) restrictions in effect for projects beginning construction after December 31, 2025.
- Credit still available for technologies *other than* solar and wind, including storage, that commence construction before 2034. Thereafter, 75% credit for projects in 2034, 50% in 2035, 0% in 2036+.

# Beating the Phaseout Deadlines

While the credits remain available, states and localities can still receive elective pay. Relevant guides to help speed the process from:

- S2 Strategies
- Lawyers for Good Government
- Deloitte
- RMI

**List of tax credits and their eligibility under the Inflation Reduction Act**

Electricity Fuels Vehicles Manufacturing

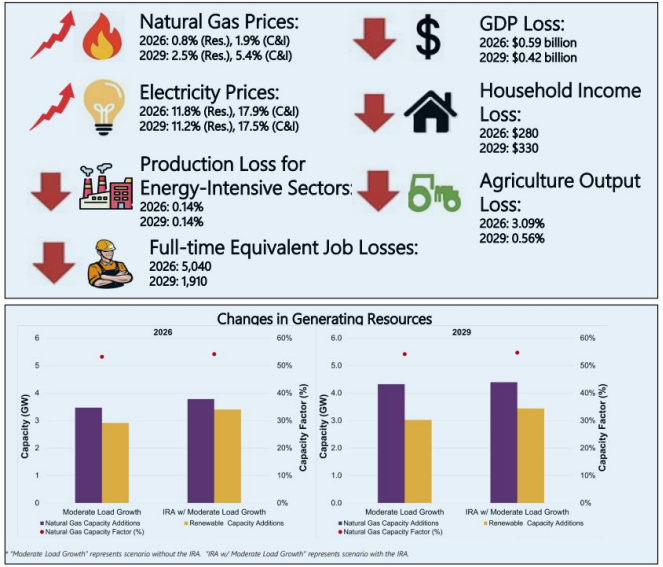
| | | Eligible for transferability | Eligible for direct pay |
|---|---|---|---|
| 45, 45Y | Clean electricity production tax credit | ✓ | ✓ |
| 48, 48E | Clean electricity investment tax credit | ✓ | ✓ |
| 45U | Zero-emission nuclear power production credit | ✓ | ✓ |
| 45Q | Credit for carbon oxide sequestration* | ✓ | ✓ |
| 45Z | Clean fuel production credit | ✓ | ✓ |
| 45V | Clean hydrogen production tax credit* | ✓ | ✓ |
| 30C | Alternative fuel vehicle refueling property credit | ✓ | ✓ |
| 45W | Credit for qualified commercial clean vehicles | N/A | ✓ |
| 48C | Advanced energy project credit | ✓ | ✓ |
| 45X | Advanced manufacturing production credit* | ✓ | ✓ |

# States Respond: Securing Energy Affordability

**Wind and solar** represented over 80% of new grid capacity in 2024.

Modeling of the wind and solar ITC/PTC repeal suggests:

- Household energy prices rise 10% nationally.
- Specific states may see substantially higher increases, up to 30% in some states, while adding as much as $500 per year to household utility costs.
- Much of that modeled increase is due to weakened energy investment being unable to keep pace with projected data center demand.




Source: NERA, South Carolina projections at 35

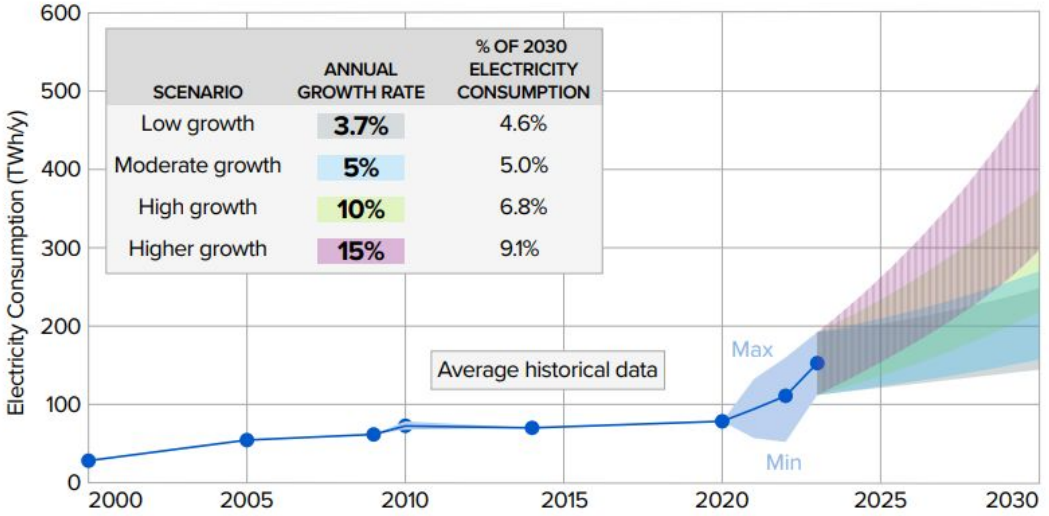
# Addressing Affordability via Data Center Tariffs

In our analysis of proposed data center legislation in 2025, no subject was so popular as **ratepayer protections**.

PUCs can **create a rate class for data centers** and require they pay for their own share of costs in energy, capacity, and grid upgrades.

See 2025 bills including:

- Oregon's HB 3546
- Georgia's SB 34
- Idaho's H 395
- Virginia's HB 2084
- Montana's HJ 46
- New Jersey's A.5466



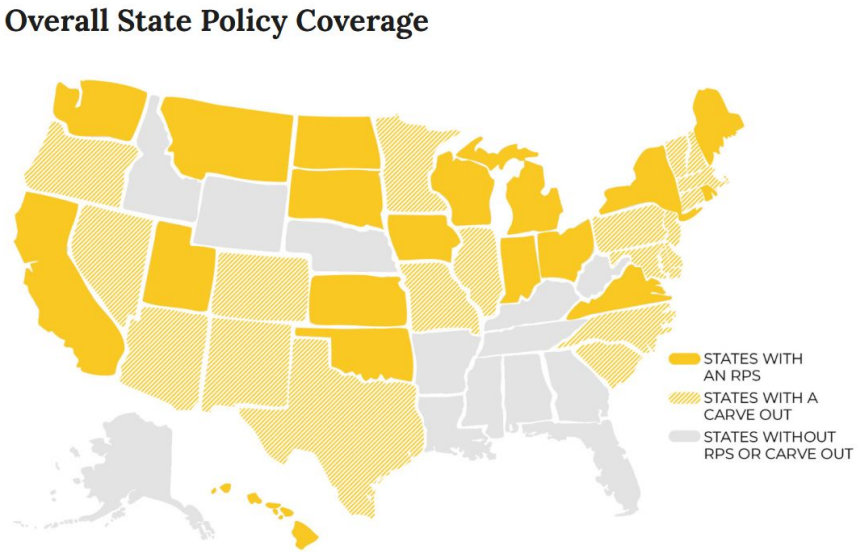

Source: EPRI

States can make the real source of load growth pay its real cost, at a time when capacity is becoming increasingly costly.

# States Respond: Technology-Specific Supports for Wind and Solar

States with **technology-neutral renewable energy policies** should consider adding specific wind and solar carve-outs or multipliers.

A **separate tier of RECs** for these technologies might determine the necessary incentive to support continued market development at auction, or using another method to gauge the funding gap.



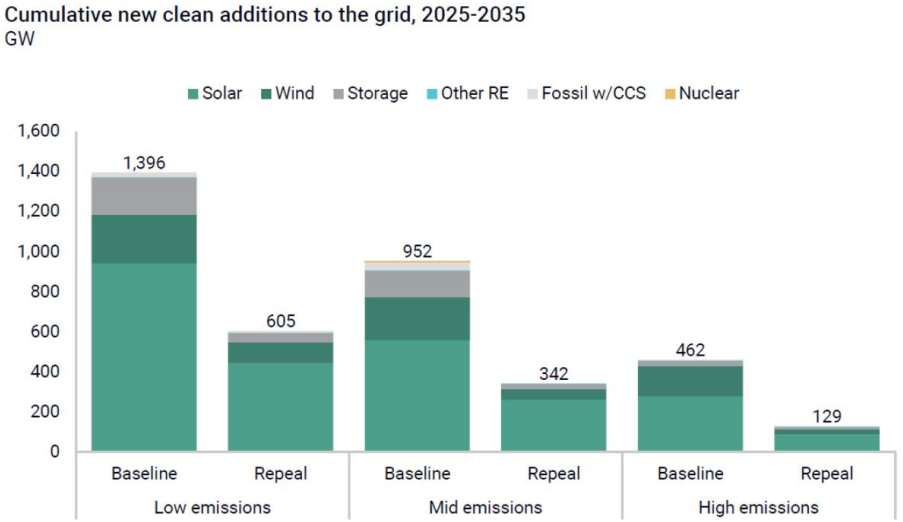

Source: CXC

# States Respond: Addressing Grid Reliability

With PTC/ITC cuts, more than half of new energy capacity over the next ten years may be terminated.

States can **proactively consider grid reliability issues** in the face of rising demand, clean energy targets, and uncertain capacity, including:

- Updating PUC statutory mandates to allow them to consider clean energy goals
- Aligning Integrated Resource Planning processes with energy transition projections
- Coordinating IRP processes with regional transmission planning
- Simply studying the impacts of rising load growth on energy capacity and transmission constraints




Source: Rhodium

# OBBBA: Supporting Fossil Fuels on Federal Lands

OBBBA included a number of measures to spur fossil fuel development on federal lands, including:

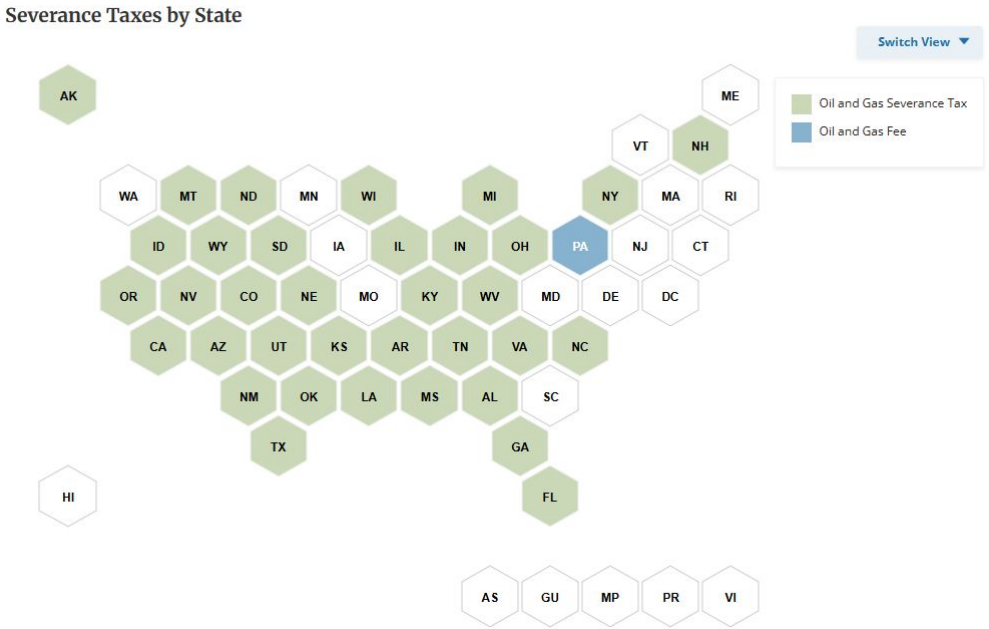
- **Removing agency discretion** to deny federal leases based on environmental, private land, or community concerns
- **Lowering the royalty rates** on oil leases by about a third
- **Eliminating royalties** from gas leases altogether.

# States Respond: Fining Fossil Fuels on Federal Lands

States can impose higher severance taxes, or impact fees, to compensate for decreased federal royalty rates, and then use that money to fund clean energy. States can also, of course, increase royalty rates for fossil fuel production on state lands.

Resources:

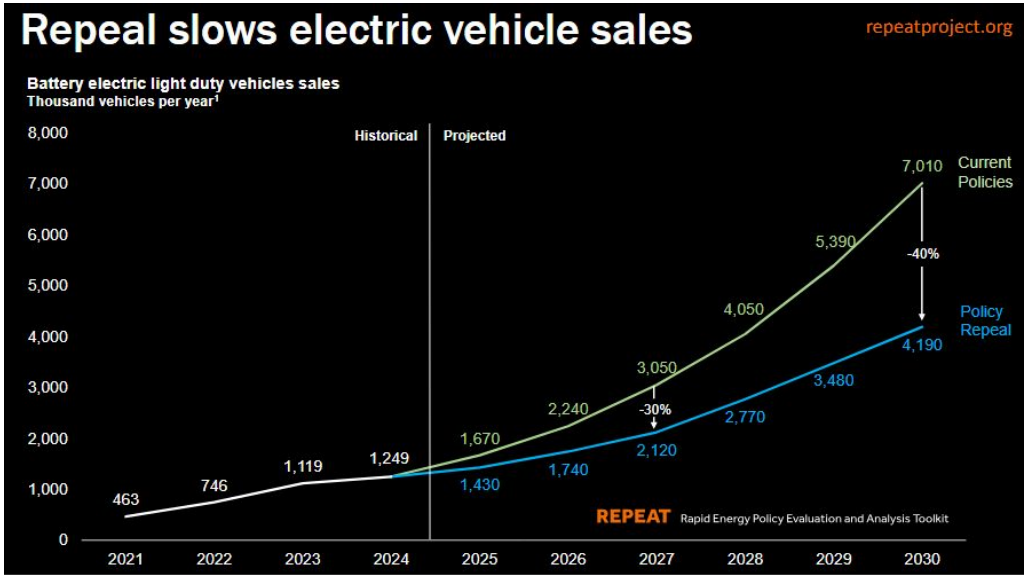
- CBPP
- Tax Policy Center

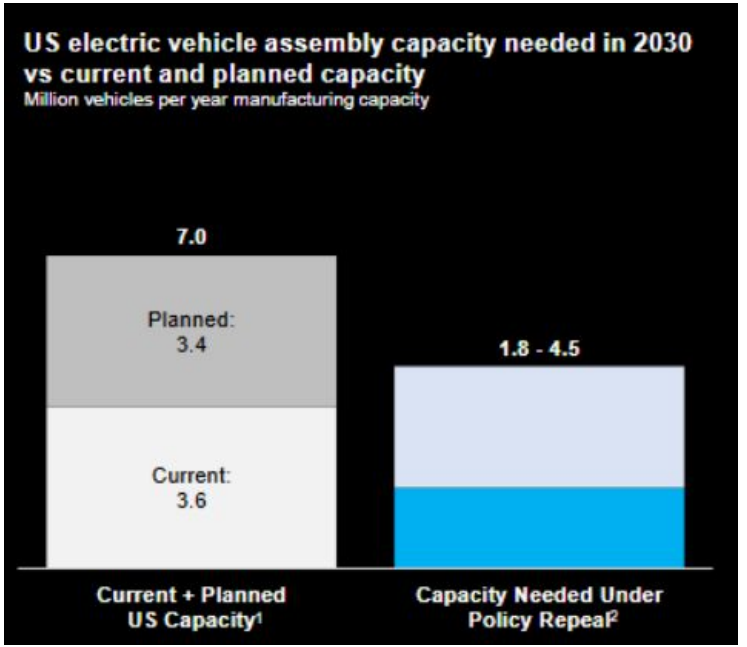



Source: NCSL

# OBBBA: Repealing EV-Related Tax Credits

OBBBA withdrew tax credits for **purchasing new electric vehicles** (up to $7,500) and **used electric vehicles** (up to $4,000), effective September 30, as well as for chargers and installation, effective June 30, 2026. This will have impacts on EV sales and US vehicle assembly capacity. **Compound this analysis with California waiver withdrawal!**



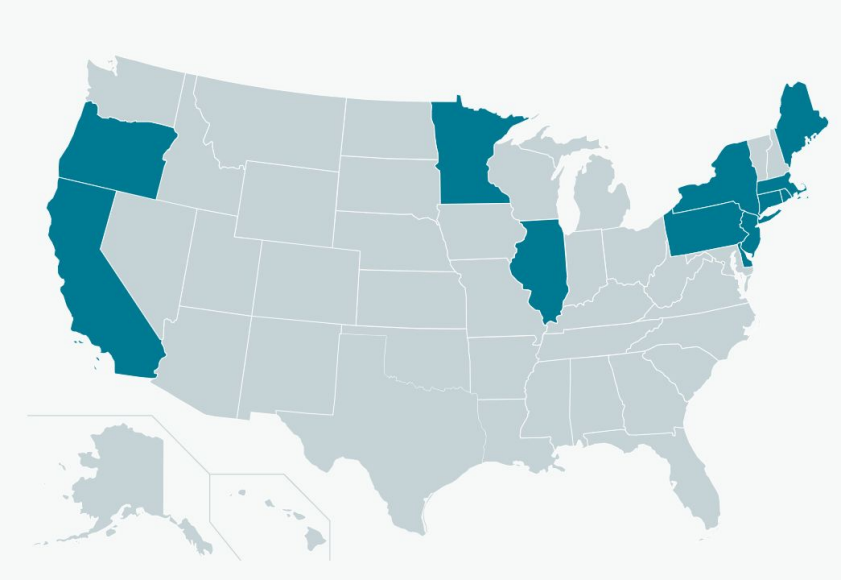




Source: [Princeton's Zero Lab]

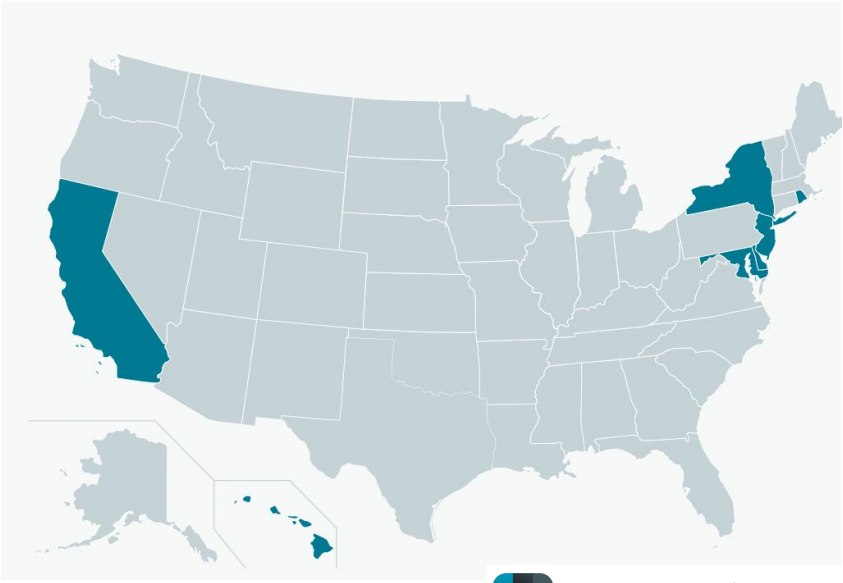
# States Respond: Boosting EV-Related Tax Credits

A number of states already offer electric vehicle and charger rebates, and models exist to replicate these incentives either through state rebates or tax credits.

## States with EV Rebates



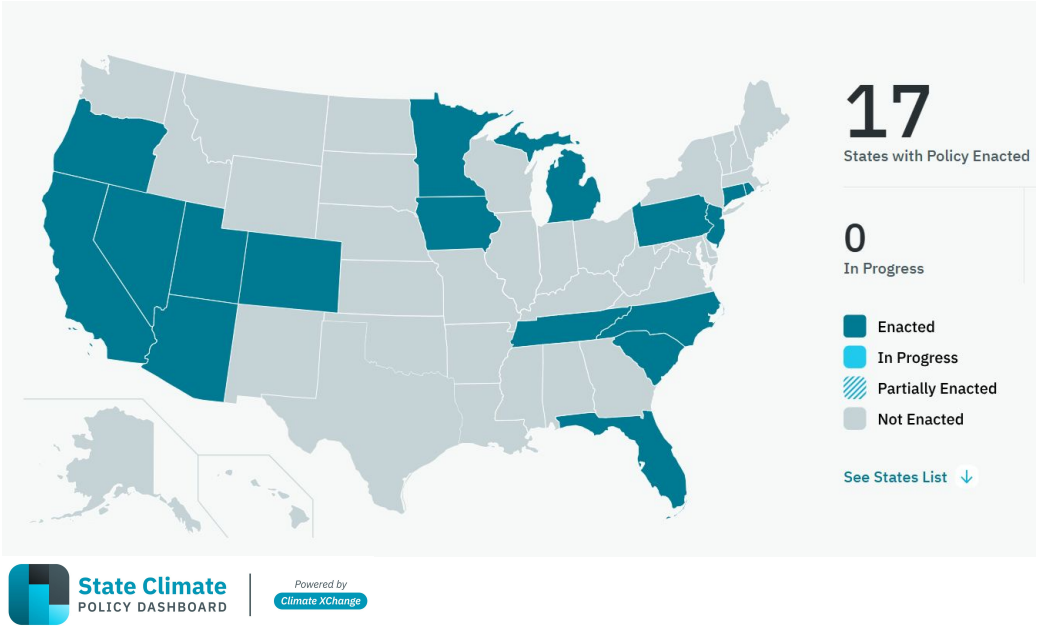
## States with Charger Rebates



State Climate POLICY DASHBOARD | Powered by Climate XChange

# States Respond: Plan the Charging Network

**Empower regulators to plan the charging network**. State regulators, particularly at the PUC, have an indispensable role in leveraging utility regulation to ensure the thoughtful buildout of statewide electric vehicle charging networks, which may be a bigger hurdle to EV adoption than the up-front cost of the vehicles.



# States Respond: Rate Design and Bidirectional Charging

States can lead on EV charging rate design, including bidirectional charging.

The long-term affordability of EVs can be significantly impacted by EV charging rates. Several jurisdictions are **ensuring that EV charging rates do not unfairly punish EVs**, while fewer states have yet tackled how EVs can be used as a grid asset.

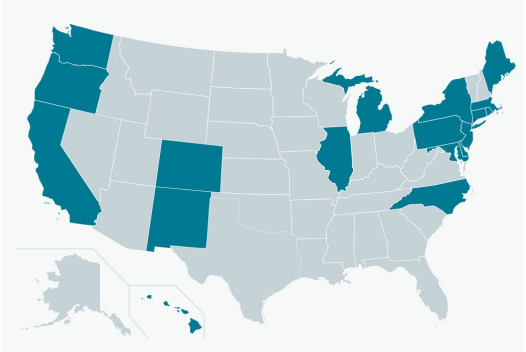
Requiring **bidirectional charging capabilities or rate design can improve the economics** of both EV ownership and grid reliability.

# States Respond: Public Procurement

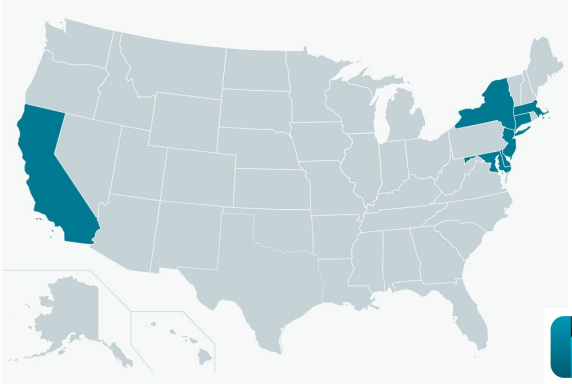
Lead the way through public procurement!

State governments can lead the way by setting ambitious public EV fleet and bus procurement targets.

Public Fleet Procurement Targets



Electric Bus Procurement Targets



State Climate POLICY DASHBOARD | Powered by Climate XChange

# States Respond: Indirect Source Review

Encourage electric fleets through indirect source review. Where states cannot directly require private vehicle fleets to electrify, they can nevertheless control permitting of centers of fleet traffic, like warehouses, through indirect source review.

Examples in:

- New York
- New Jersey
- California
- Colorado
- Model legislation: LPDD

# OBBBA: Voiding CAFE Penalties

Penalties for CAFE violations reset to $0!

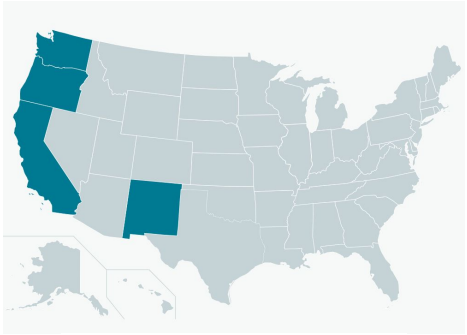
Fines are the only mechanism the DOT has to hold automakers accountable to meet CAFE standards, so without them there is no incentive for automakers to comply with them.

# States Respond: Clean Fuels Requirements

While states are preempted from regulating what comes out of the tailpipe, they *can* regulate what goes into the gas tank.

Several states have adopted Clean Fuels or Low Carbon Fuel Standards.

While the history of Clean Fuels Standards is flawed, there are emerging tools and best practices to help states design programs that work.



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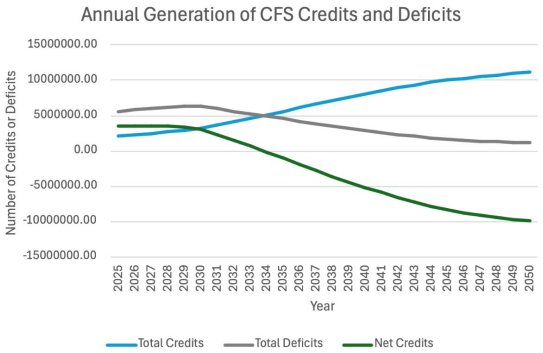



Source: RMI

# OBBBA: Terminating EJ Block Grants

- Rescinded the Environmental and Climate Justice (ECJ) Block Grants, which provided funding for pollution mitigation, climate resilience, and community engagement directly to nonprofit organizations serving EJ communities.

- Much of these funds were unobligated.

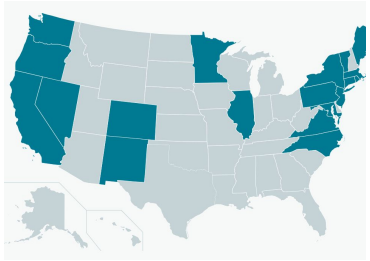
- Legal efforts to access obligated grants remain ongoing.

# States Respond: Investing in EJ Communities

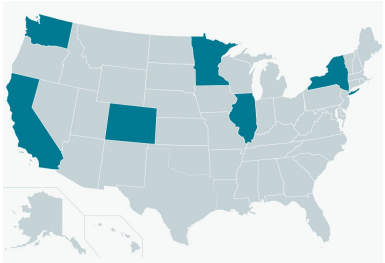
Administratively, states need to start by defining and mapping EJ communities, and forming governmental EJ staff positions and advisory bodies to center their voices.

To replace lost funding, states can adopt EJ Community Investment Requirements, which require a certain percentage of funds and/or benefits from state climate and clean energy investments to be allocated to EJ communities.

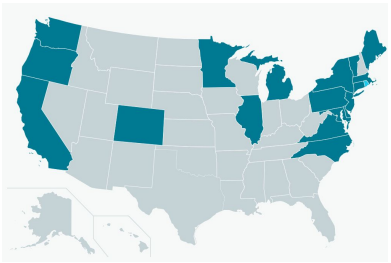
Definitions



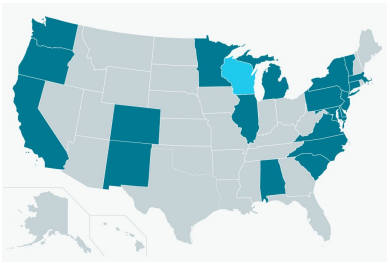
Investment



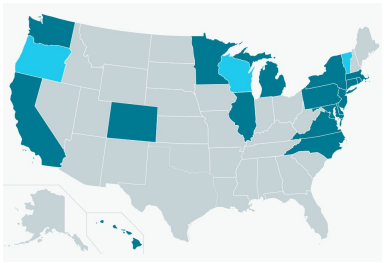
Advisory Bodies



Staffing



Mapping



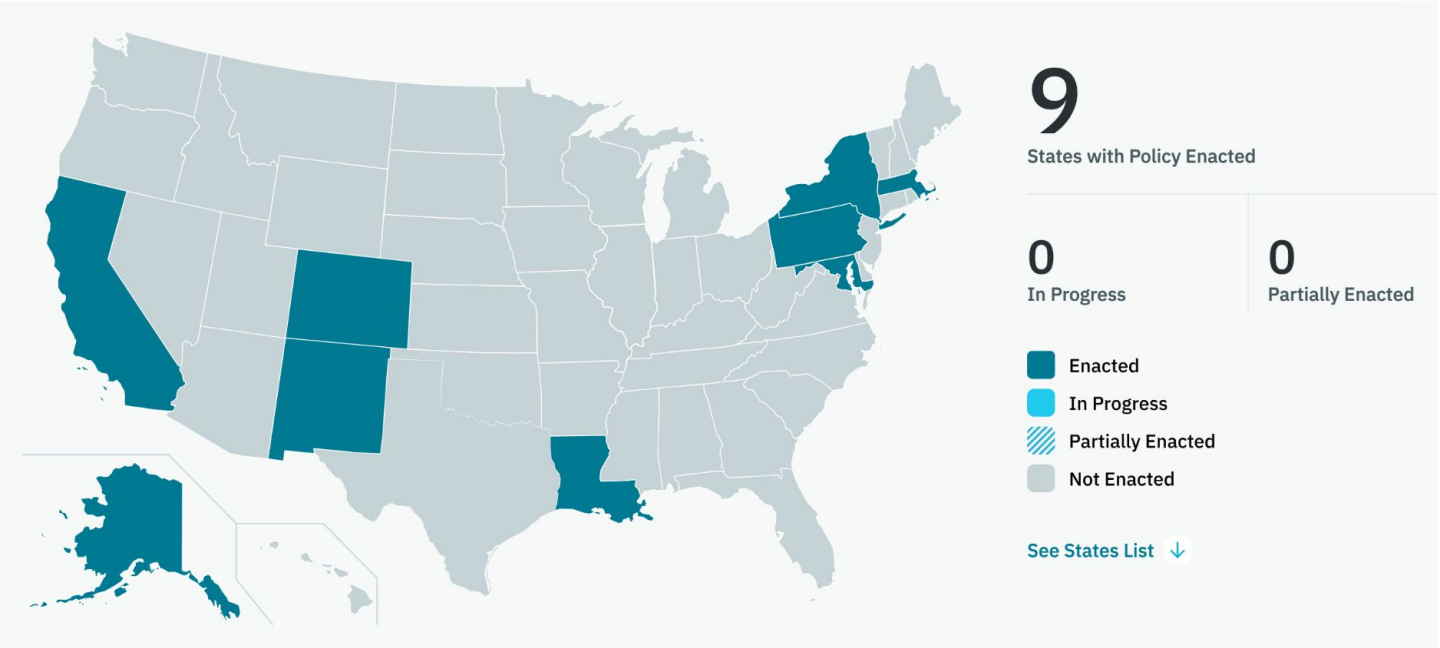
# OBBBA: Rescinding Methane Leak Incentives and Fines

The reconciliation package:

- Terminated outstanding funding under the **Methane Emissions Reduction Program**, which provided financial and technical assistance to support reporting, monitoring, and implementing solutions to reduce methane emissions at oil and gas production sites.
- Delayed **Waste Emissions Charge**, a major fee on oil and gas sector methane emissions, until 2034, resulting in $7.2B in lost revenue.

# States Respond: Methane Regulations on Oil and Gas Sites

9 states have their own **methane regulations for oil and gas production and operation**



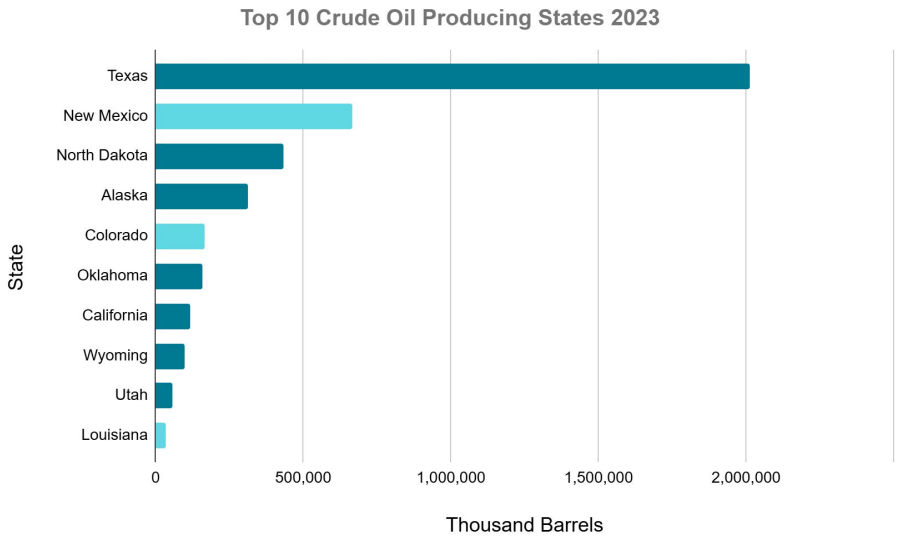

*States with O&G Methane Regulations*

State Climate Policy Dashboard | Powered by Climate XChange

# Colorado

***Most comprehensive** oil and gas methane regulations in the US:*

- **HB 21-1266**: Reduce methane from oil and gas operations **60% below 2005 levels by 2030**
- Oil and gas companies must **find and fix methane leaks** and install technology to limit emissions.
- **Leak detection and repair** and **prohibition of routine flaring** during maintenance.
- Operators are required to **report their emissions** under the Colorado GHG Reporting Rule.
- Established the first **midstream** oil and gas regulation in the U.S. last year

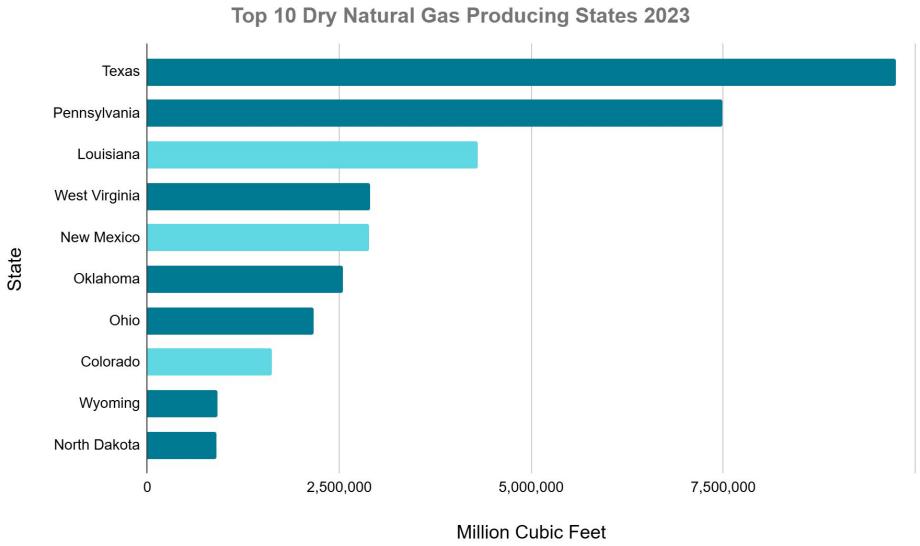



*Data Source: EIA*

# Louisiana

*A state with heavy industrial emissions targeting methane:*

- **Prohibits routine venting and flaring** of natural gas except in instances of **economic hardship** on the operator
    - Guardrail: if an operator is still turning a profit based on the price of natural gas, they cannot claim economic hardship.
- Authority to regulate is granted through two sections of the **Louisiana Administrative Code**
- Regulation effective as of May 7, 2024




*Data Source: EIA*

# New Mexico

- Operators are required to capture **98% of their waste natural gas by the end of 2026** and are required to calculate emission rates, perform monthly checks for leaks and fix them within 15 days, and achieve state-determined emission reduction requirement for certain equipment and processes
- **Limited tax revenue** for government activities and **high state revenue** from oil and gas industry.
    - Some criticisms of the regulation are:
        - Operators are required to self-report venting and flaring
        - Limited field enforcement
        - Regulations are not codified into law
            - **HB 258** was proposed this session, but did not make it out of committee.
- New Mexico still serves as an example of a pro-oil and gas state that is taking steps to reduce emissions from the sector, given a more complicated economic climate.

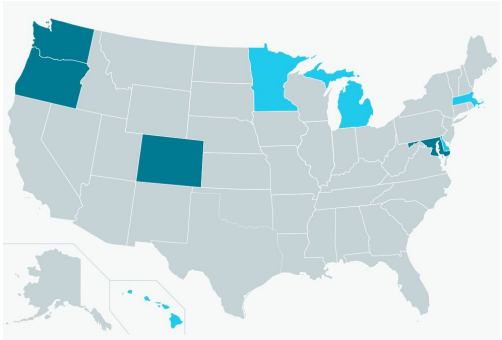
# OBBBA: Terminating Home Efficiency Incentives

The reconciliation package:

- Eliminates tax credits of 30 percent off (up to $2,000) for installing a **heat pump or heat pump water heater**, plus $1,200 for weatherization and insulation, effective at the end of 2025
- Terminates incentives to builders of homes that meet **Energy Star** or Zero-Energy Ready Home standards, effective June 30, 2026.

# States Respond: Codes, Rebates, Credits, Phaseouts!

- Dozens of examples of states incentivizing heat pumps or geothermal energy, using means ranging from:
  - Utility rebates
  - Personal tax credits
  - Property tax incentives
  - Loan programs
  - And more!
- Where the federal government can only offer incentives to efficient buildings, states can actually require them, including by:
  - Setting Building Performance Standards
  - Phasing out gas appliances
  - Requiring LEED certification
  - Tightening building codes
  - And more!



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# Q&A

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# Thank you for joining!

## Reach out to kristen@climate-xchange.org with any additional questions!

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