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- Energy & Sustainability
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SERVICE AREAS

- Energy & Sustainability

Federal Energy Policy Update: A Tumultuous Start to 2025

The saying “March comes in like a lion” refers to the weather. However, in the political sphere, the Trump administration has ushered in a turbulent start to the year that generated waves across the energy policy spectrum in February. The administration kicked off a flurry of activity following the inauguration on January 20 and issuance of a number of executive orders (EO’s) shortly after.

Executive Orders and Policy Shifts

Following Executive Order **14154** (Unleashing American Energy), disbursements for various energy-related programs were temporarily halted. This included funding for a loan guarantee for Montana Renewables, which was later released. However, the future of other loan draws, closings, and conditional commitments remains uncertain. The extent of discretion granted to John Sneed — appointed to lead the Loan Programs Office (LPO) — is unclear, and there is speculation that a different director may ultimately be named.

Meanwhile, the administration placed the head of the EPA Greenhouse Gas Reduction Fund (GGRF) on leave due to funding disputes, with reports that parts of the GGRF remain frozen. For the National Electric Vehicle Infrastructure Formula Program (NEVI), the Federal Highway Administration said that a draft of the program's amended policies will be published for public comment in the spring before a final version of the program is issued. Some CHIPS recipients are also being asked to renegotiate terms that are more in line with the administration's tougher stance on China. Those reports notwithstanding, other obligated funds appear to be moving forward following several court orders.

Even with release of obligated funding, it is anticipated that the administration will seek to test the boundaries of the Impoundment Control Act of 1974 or invoke broader constitutional arguments to control or withhold funding — an issue likely to be contested in the courts.

Federal Layoffs and Workforce Reductions

Significant layoffs have swept through nearly all federal agencies, including the Department of Energy, where an estimated 1,000 to 2,000 employees were let go. The LPO alone saw approximately 50 recently hired employees — roughly 10 to 20% of its staff — dismissed, many of whom occupied critical, hard-to-fill positions. Contractors are also being affected, though the full impact is still unfolding.

Notably, full-time employees were targeted before contractors, signaling the administration’s intent to reduce headcount rather than just cut budgets. In the short and long term, this could lead to increased reliance on contractors to maintain essential operations.

Regulatory Overhauls and Permitting Changes

The administration followed up on **EO 14154** with an **interim final rule** directing agencies to revise or establish their own National Environmental Policy Act (NEPA) procedures. This move rescinded the Council on Environmental Quality’s (CEQ) regulatory oversight and eliminated a Carter-era executive order. While intended to accelerate permitting, the resulting policy variations between agencies may create new inefficiencies. Further NEPA-related actions from the administration are expected.

In a related move, the Army Corps of Engineers briefly published — then withdrew — a list of over 600 fast-tracked energy projects, some of which had tenuous connections to the energy security framework

outlined in **EO 14156** (Declaring a National Energy Emergency). Any formal project list is likely to face significant legal challenges to meeting the exceptions detailed in the Endangered Species Act and Clean Water Act.

Additionally, the administration issued an executive order titled "**Ensuring Accountability for All Agencies**," requiring federal agencies to coordinate policies with the White House. This raises questions about the Federal Energy Regulatory Commission's (FERC) independence and whether the order could inject greater political influence into FERC's decision-making, complicating long-term business planning.

Offshore wind projects continue to face setbacks, with New Jersey announcing it will not proceed with its fourth offshore wind solicitation due to Shell withdrawing as an equity partner and growing political uncertainty at the federal level. Additionally, the US Department of the Interior's Bureau of Ocean Energy Management (BOEM) canceled three meetings related to the Vineyard Mid-Atlantic 2 GW offshore wind project off the coast of Long Island, citing a Trump **executive order that temporarily withdrew all areas on the outer continental shelf from offshore wind leasing**.

Meanwhile, efforts to craft a comprehensive permitting reform bill have yet to yield a viable alternative to the stalled Manchin-Barrasso proposal from the previous Congress.

Congressional Developments and Budget Battles

Perhaps the most consequential energy policy developments are unfolding in Congress, where lawmakers are racing to finalize a fiscal year 2025 spending agreement by March 14. A government shutdown is unlikely, given Republican control of both chambers. Progress on broader reconciliation legislation to preserve the Trump 2017 Tax Cut and Jobs Act (TCJA) tax benefits remains unclear, with the House and Senate pursuing different strategies. The House is looking to move a reconciliation bill that addresses border security, defense, energy, and taxes, while the Senate prefers to address taxes in a separate bill later in the year. Both sides have passed their budget proposals and must reconcile a single agreed-upon version. Notably, the House proposal calls on the House Energy and Commerce to find at least $880 million in cuts. Complicating matters is the debt ceiling, which the government technically reached on January 21.

This indicates that a continuing resolution for FY25 spending is the most probable outcome, possibly stretching for the full year. Full resolution of the short- and long-term budget will almost certainly impact energy-related IRA and regularly appropriated programs, though we can expect that individual members will be lobbying hard to minimize the impact on their districts and maintain a "scalpel not a sledgehammer" approach to the IRA. Major facilities like the DOE national labs are being defended by both parties and should continue to receive strong support.

While budget negotiations proceed, Republicans are also targeting regulatory rollbacks using the Congressional Review Act (CRA), including EPA's methane fee and several recently issued DOE appliance standards. Separately, DOE also recently **announced** a hold on appliance standards — including those for central air conditioners, clothes washers and dryers, general service lighting, walk-in coolers and freezers, gas instantaneous water heaters, commercial refrigeration equipment, and air compressors, which may be potentially reissued. The move was accompanied by a similar step at the EPA, where Administrator Lee Zeldin **ordered** regulators to overhaul federal water specifications governing kitchen faucets and other household equipment.

In a separate push, Republicans are challenging California's authority to set its own emissions standards under waivers granted since the Clean Air Act of 1971. The legality of using the CRA to revoke these waivers is uncertain, but the broader objective appears to be to challenge California's ability to set its own emission standards, an exemption it has received since the Clean Air Act was signed in 1971.

Additionally, Senator John Barrasso **introduced** the Eliminating Lavish Incentives to Electric (ELITE) Vehicles Act (**S.541**) to fulfill a Trump campaign promise. The bill aims to:

- **Eliminate** the $7,500 tax credit for new electric vehicles (EVs)
- **Remove** the tax credit for used EV purchases
- **End** federal investment tax credits for EV charging stations

Capping off February, news report broke that the EPA was going to begin an aggressive review of the "endangerment finding" under the Clean Air Act, as called for in EO 14154. Any action to reverse the finding will need to play out through the courts but could have broad impact on EPA's ability to regulate greenhouse gases for power plants, industrial facilities, and vehicles. Further administrative action is expected to revise fuel efficiency and emissions standards, which critics argue provide a disproportionate benefit to electric vehicles.

Trade and Unresolved Issues

Several key uncertainties remain, including the status of new tariffs on Mexico and Canada, which are currently scheduled to begin on March 4. The outlook for further negotiation, alteration, or cancellations at this point is not clear.

Adding to the complexity, the DeepSeek announcement from China has sparked new questions about the energy demands of AI data centers, potentially influencing future policy decisions.

Looking Ahead

February was marked by aggressive executive action, regulatory shifts, and legislative maneuvering. As March unfolds, the trajectory of federal energy policy remains unpredictable, with ongoing legal battles, budget negotiations, and regulatory challenges shaping the landscape. Expect continued turbulence in the months ahead as the administration tests its authority and Congress navigates political and policy constraints.

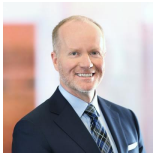
No new funding opportunity announcements have been issued this month. For a full list of other opportunities, please see ML Strategies' **energy funding matrix**, and don't hesitate to reach out with questions.

Authors



John Lushetsky, Senior Vice President

John Lushetsky draws on over 30 years of experience in government and industry to help clients identify strategic opportunities, secure federal funding, and position innovative technologies for success within evolving energy and infrastructure policy landscapes. He has successfully helped clients navigate complex issues through a variety of federal agencies.



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Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal agencies.

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