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Energy & Sustainability Washington Update — April 2025

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After a flurry of actions in February, March seemed relatively calm by comparison, though there was plenty to track and unpack as the month progressed. All eyes are on what House Republicans will end up cutting from the Inflation Reduction Act (IRA) to try and extend the Tax Cut and Jobs Act (TCJA), portions of which are due to expire at the end of this year. Possibly with an even greater impact, the Environmental Protection Agency (EPA) announced its intention to revisit the Greenhouse Gas Endangerment Finding, the statutory foundation for its authority to regulate carbon emissions from power plants, stationary sources, and vehicles. Finally, the White House followed through on promises to boost domestic mining and the production of critical minerals, leveraging a number of executive tools.

Status Update on Reconciliation and the Inflation Reduction Act Tax Credits

The House and Senate adopted separate budget resolutions with reconciliation instructions. While the Senate originally wanted to pursue a two-bill approach with energy, border security, and defense preceding tax, they have switched to the House's one "beautiful" comprehensive reconciliation bill, likely due to the fact that the House can only afford to lose three of its own members if it wants to pass a bill. Senate Majority Leader John Thune (R-SD) has ambitiously indicated that he wants to advance a new budget resolution that lets the Senate and House set their own spending cut minimums before Congress leaves for Easter recess. This strategy would push off fights to resolve major sticking points until the end of the month. Added to the House's task, the White House recently inserted a requirement for the House bill to extend the debt ceiling. House Speaker Mike Johnson (R-LA) has said he wants to get a reconciliation bill to Trump's desk by Memorial Day.

The House resolution that passed on February 25 calls on the House Energy and Commerce Committee to reduce the federal deficit by at least $880 billion over ten years in order to support extending the TCJA rates. One analysis indicates hitting this number will require at least $700 billion in cuts to Medicaid funding, potentially a very problematic step for Republicans. Several offsets are also expected from the rescission of IRA tax credits, including the Advanced Manufacturing Tax Credit (45-X), the Clean Hydrogen Production Tax Credit (45-V), and the consumer electric vehicle tax credit (30-D). Various estimates have reported that repealing 45-X would contribute $120 – 250 billion to that $880 billion goal and repealing 45-V would contribute $13 - 120 billion. However, given that these credits serve projects disproportionately in Republican states, it may prove difficult for the Republicans to maintain solidarity down this path with only a 3-seat House majority. Even elimination of 30-D tax credits, which could end up saving $192 billion, may be questionable because it would negatively impact US electric vehicle manufacturers, including Tesla, and would be detrimental to the administration's efforts to support the US critical minerals and vehicle manufacturing industries. This would be on top of the effect of tariffs announced by the administration impacting the auto industry.

Also at play are tax credits for industries that Republicans may look more favorably on, such as the 45-Q carbon capture credit and the technology-neutral investment and production tax credits. In line with this, a March 9 letter from 21 House Republicans to House Ways and Means Committee Chair Jason Smith (R-MO) opposed cuts or what House Budget Committee Chair Jodey Arrington has been calling a "thoughtful" phase out of the IRA. Adding to IRA support, the Edison Electric Institute (EEI), representing US investor-owned electric companies, came out strongly in support of maintaining the technology neutral ITC and PTC, claiming that they will save US consumers approximately $45 billion between 2025 and 2032.

Meanwhile, the Senate may betaking a more modest approach, with Chair of the Senate Energy and Natural Resources Committee, Mike Lee (R-UT), reportedly targeting a range of $5 - 10 billion in energy-related cuts. If the House were able to pass its single reconciliation bill, this indicates that it is far from certain it would make it through the Senate.

With the outcome far from certain, ML Strategies will continue actively tracking IRA tax credit developments, providing updates to clients directly.

Trump's Critical Minerals Executive Order

On March 20, President Trump signed an Executive Order (**EO)** on "Immediate Measures to Increase American Mineral Production." The EO asserts that reliance on foreign mineral production, particularly from hostile nations, threatens national and economic security. In response, the President directs a series of immediate measures across various federal departments and agencies to expedite permitting, prioritize mineral projects on federal lands, clarify regulations, and stimulate public and private capital investment in the domestic mineral sector.

Some highlights of the EO include the following:

- **All Agencies** involved in the permitting of mineral production are to provide to the Chair of the NEDC a list of all mineral production projects for which a plan of operations, a permit application, or other application for approval has been submitted. The NEDC will identify projects for prioritized approval and expedited permitting.
- **The NEDC** is directed to issue a request for information to solicit industry feedback on regulatory bottlenecks and other recommended strategies for expediting domestic mineral production. The Chair of the NEDC and the Director of the Office of Legislative Affairs are also directed to jointly prepare and submit recommendations to the President for Congress to clarify the treatment of waste rock, tailings, and mine waste disposal under the Mining Act of 1872.
- **The Secretary of Defense**:
  - Is delegated Presidential Authority under Section 303 of the Defense Production Act (DPA), in consultation with other agency heads, for domestic production and facilitation of strategic resources the Secretary of Defense deems necessary to advance mineral production in the United States.
  - Is directed to add mineral production as a priority industrial capability development area for the Industrial Base Analysis and Sustainment Program.
  - Is directed to utilize the National Security Capital Forum to facilitate the introduction of entities to private capital.
- Significant DPA authorities are delegated to the **US International Development Finance Corporation (DFC)** for domestic mineral production, with loan authority limited to projects that create, maintain, protect, expand, or restore domestic production. The DFC and the Secretary of Defense are instructed to develop a plan to establish a dedicated mineral production fund for domestic investments, potentially utilizing DoD investment authorities from the DPA and the Office of Strategic Capital.
  - **The Assistant Secretary of Defense for Industrial Base Policy** is directed to convene and announce requests for bids for buyers of minerals.
- **The Secretary of the Interior** is directed to provide a list of all federal lands known to hold mineral deposits and reserves, while declaring mineral production and mining-related purposes as the priority land use in these areas, allowing amendments to land use plans as needed.
  - **The Secretaries of Interior, Defense, Agriculture, and Energy** are directed to identify federal land sites suitable for commercial mineral production enterprises.
  - **The Secretaries of Defense and Energy** are directed to enter into extended use leases with private entities to facilitate the establishment of commercial mineral production.
- **The Export-Import Bank** is directed to release recommended program guidance for the use of mineral production financing tools authorized under the Supply Chain Resiliency Initiative to secure US offtake of global raw mineral feedstock for domestic minerals processing.
- **The Small Business Administration** is directed to prepare and submit through the Assistant to the President for Economic Policy recommendations for legislation to enhance private-public capital activities to support financing to domestic small businesses engaged in mineral production.

The actions taken through the EO are positive overall and continue an environment of support for critical minerals that started in the first Trump administration and ran through the Biden administration. Taken in total, they are a very positive sign of where a second Trump administration may go to support critical minerals. More will need to be done, however, to address fundamental permitting, financing, and creation of demand signals for critical minerals projects to advance quickly. The DPA program, for example, was underfunded and understaffed to process the substantial number of applications they received for critical minerals as well as other defense critical materials. Projects applying to DFC for loans, under DPA or OSC authority, will likely need to show clear and substantial off-take and/or balance sheet strength to make it through successful underwriting. Permitting timelines will also continue to be an issue. It is likely that additional Congressional action, including permitting reform and appropriations, will be needed to accelerate US mining and processing of critical minerals.

Furthermore, curiously missing from the EO was any mention of supporting critical minerals development in allied countries. The DPA authorities referenced can be made available to Canada and Australia both of which have much more favorable permitting regimes for mining projects. The DoD previously **announced** support of two Canadian projects under the DPA, with joint funding by the Canadian government. The latest EO would seem to discourage, if not eliminate, that avenue- meaning that US dependency on China will continue. In our view, this is where the EO falls short in addressing Chinese dependency.

You can read our more in-depth analysis of the EO **here**.

Agency Rollback of Clean Energy and Climate Projects

The administration continues to look at existing IRA programs, beyond tax incentives, to both help close their budget gap for the TCJA as well as align departments more closely to their policy positions.

Department of Energy (DOE)

On March 21, the DOE submitted to the Trump administration a list of clean energy projects to review for elimination. Any program or project that has spent less than 45 percent of its appropriated or awarded funding is required to be reviewed. Other projects on the list include $8 billion for hydrogen hubs, $7 billion for carbon capture hubs, $6.3 billion for industrial demonstrations, $50 million for distributed energy programs, $500 million for long-duration energy storage, and $133 million for the Liftoff program aimed at accelerating new technology development. It is still unclear exactly how the administration plans to enact rollbacks on the spending. While program agreements allow for DOE to exercise some level of management oversight, cancelling a project that is executing its plan would receive significant opposition and potential legal action, especially for those in Republican districts. Reports are circulating that the administration was considering eliminating only projects in Democratic districts, but that may be equally problematic. It remains to be seen if this extraordinary step is taken.

However, the administration's approach to some forms of clean technology seems to be clear, with Secretary Chris Wright stating at CERAWeek that he "doesn't believe the scale-up of wind and solar are justified" and that "there is simply no physical way that wind, solar and batteries could replace the myriad uses of natural gas." However, he did defend DOE's national laboratories and called them "underappreciated gems in our country." He also committed to following through on loans made through the Loan Programs Office (LPO) at the end of the Biden administration, which implies loans reaching closing may be secure while others still waiting for conditional commitment are likely at risk without further clarification.

Department of Transportation (DOT)

On March 12, the DOT announced it was moving to freeze all unobligated and partially obligated discretionary grants or cooperative agreements that involve bicycles, climate, equity, or electric vehicles and their charging infrastructure. Funds will remain frozen until DOT reviews each project and decides whether to let it proceed, cancel, or revise it. In the case of revisions, teams are instructed to remove the "offending parts and replace them with components that are aligned with the administration's policy."

Environmental Protection Agency (EPA)

This past month, the EPA announced its intent to terminate $20 billion in climate grants from the Greenhouse Gas Reduction Fund (GGRF), having submitted the GGRF program to the Office of Inspector General, Department of Justice, and Federal Bureau of Investigation for review. EPA has the authority to cancel the contracts under specific and legally defined examples of waste, fraud and abuse. However, the fund awardees, Power Forward Communities, Climate United, and Coalition for Green Capital, claim this is not the case. These awardees sued Citibank, the steward of the money, who **then sued EPA**. On March 12, the US DC District Court **began** hearing court arguments of EPA vs. Citibank. So far, the judge has said EPA has yet to provide substantial evidence that fraud and waste are occurring, but she has also not ordered EPA to pay out the funds.

The attorneys general of California, Illinois, Maine, and Minnesota have also filed a lawsuit against EPA, alleging that EPA's claw back of GGRF funds "violates the separation of powers." The lawsuit also accused Citibank of "improperly complying with the government's campaign of intimidation and freezing funds that it is by law required to release."

House Energy and Commerce Democrats have launched an **investigation** into the EPA demanding the provision of its communications with the Treasury Department, Justice Department and Citibank in explanation of why funds are frozen. However, since Democrats are the minority, the EPA is not required to formally respond.

EPA's Flurry of Deregulation

EPA Administrator Lee Zeldin **announced** the undertaking of 31 actions to deregulate Biden and Obama-era regulations, as directed by President Trump's earlier energy-related executive orders. The full list of actions can be viewed in the table below.

Most notably, however, the EPA announced it will be reconsidering the **2009 Greenhouse Gas Endangerment Finding**, consistent with the "**Unleashing American Energy**" EO released in January. The Endangerment Finding is the basis for regulating greenhouse gases (GHGs) under the Clean Air Act

(**CAA**), allowing the EPA to set emission standards for power plants, vehicles, aircraft, and other sources that could impact health and welfare. While the EPA's legal strategy for reversing the Endangerment Finding is not clear, it will likely take years and be subject to intense litigation. A more thorough assessment of the potential impact is provided in this ML Strategies Viewpoint article **here**.

Existing Regulation	Details on Reconsideration
"Unleashing American Energy" EO	
Clean Power Plan 2.0	Reconsideration of issued Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants that established stringent limits on CO? emissions from both existing coal-?red power plants and new natural gas–?red combustion turbines.
Wastewater Regulations (ELGs: Oil and Gas)	Consideration of expanding the geographic scope where treated wastewater can be used and discharged in the United States and exploring additional flexibilities to discharge treated wastewater from centralized wastewater treatment facilities that manage wastewater produced in the extraction of oil and gas.
Mercury and Air Toxics Standards (MATS)	Reconsideration of standards under the CAA that required power plants to install pollution control technologies, aiming to decrease mercury, arsenic, and other hazardous air pollutants.
Greenhouse Gas Reporting Program	Reconsideration of mandatory GHG reporting requirements.
Steam Electric ELG	Revision of effluent limitations guidelines and standards (ELGs) for the Steam Electric Power Generating industry and its discharge standards.
Risk Management Program Rule	Reconsideration of Biden-Harris administration's Risk Management Program rule which required facilities to comply with stringent new requirements and increase public access to chemical hazard information.
"Lowering the Costs for Living for American Families" EO	
Car GHG Rules	Reconsideration of light-duty, medium-duty, and heavy-duty vehicle regulations that aimed to cut fleetwide average GHG, particulate matter, and nitrogen oxide emissions in half by 2032.
Greenhouse Gas Endangerment Finding	Reconsideration of a finding that concluded GHGs do endanger public health.
Technology Transition Rule	Reconsideration of a rule that aimed to phase down the use of hydrofluorocarbons, potent greenhouse gases commonly used in refrigeration and air conditioning.
PM 2.5 NAAQS	Reconsideration of Particulate Matter National Ambient Air Quality Standards.

NESHAPs	Reconsideration of multiple National Emission Standards for Hazardous Air Pollutants for energy and manufacturing sectors.
Regional Haze Program	Restructuring the program which required stricter emissions reductions from industries contributing to haze, including coal-fired power plants to as to improve visibility in national parks and wilderness areas.
Social Cost of Carbon	Repealing the Biden-era metric that estimates the economic damages associated with emitting one additional ton of carbon dioxide into the atmosphere.
Enforcement Discretion	Ordering EPA to stop basing agency actions on environmental justice and to ease up on enforcement and compliance actions against energy facilities.
EJ/DEI Programs	Termination of 10 environmental justice regional offices and the Office of Environmental Justice and External Civil Rights.
“Advancing Cooperative Federalism” EO	
Good Neighbor Plan	Ending the program and working with states and tribes to address State and Tribal Implementation Plans (SIPs/TIPs).
Exceptional Events	Revising rulemaking to work with states in allowing prescribed fires within SIPs/TIPs.
Science Advisory Boards	Reconstituting the Science Advisory Board (SAB) and Clean Air Scientific Advisory Committee (CASAC).
Coal Ash Regulations (CCR Rule)	Prioritizing state permit reviews and updating coal ash regulations.

Authors

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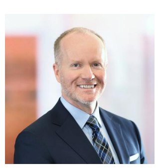
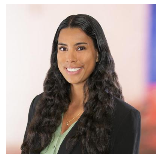
John Lushetsky draws on over 30 years of experience in government and industry to help clients identify strategic opportunities, secure federal funding, and position innovative technologies for success within evolving energy and infrastructure policy landscapes. He has successfully helped clients navigate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



R. Neal Martin, Senior Director of Government Relations

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.



Myria Garcia, Manager of Legislative and Regulatory Affairs

Myria Garcia supports clients in achieving their policy objectives through legislative and regulatory engagement. She utilizes her experience working with congressional offices, government affairs teams, and advocacy organizations to pursue effective engagement strategies and has experience advising clients on federal financing applications.