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Energy & Sustainability Washington Update — July 2025

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This month's update brings a flurry of activity in energy-related policy, but the final outcomes will not be known until later in July, or even August. After the House narrowly passed their reconciliation bill in May, the Senate has been deliberating on their own version, navigating Senate parliamentarian rules and intense intraparty debates, with the fate of major programs like Loan Programs Office (LPO) and Inflation Reduction Act (IRA) related energy tax incentives still in the balance. Meanwhile, the Trump administration submitted their FY 2026 budget request to Congress, which provides important insights for the administration's priorities and staffing projections for the Department of Energy (DOE).

Reconciliation Update

In June, Senate committees released revised initial versions of their reconciliation text as part of a broader Republican-led domestic policy package. Key to energy policy initiatives, the Senate Committees on Finance, Energy and Natural Resources (ENR), Environment and Public Works (EPW), and Armed Services (SASC) unveiled their respective sections on June 16, June 11, June 4, and June 3. A comparison of the initial marks relevant to energy from these committees against their House counterparts is **shown here**. However, each committee's draft has undergone substantial revisions after Senate Parliamentarian Elizabeth MacDonough flagged several provisions as violations of the Byrd Rule, which prohibits extraneous policy matters in reconciliation bills. Working through the parliamentarian's rulings, the Finance Committee and ENR Committee have yet to finalize their texts as of this date. EPW finalized their text on June 25, and SASC finalized their text on June 24. Once finalized, all texts are still subject to modifications on the Senate floor before final votes.

Senate Finance Committee

If there were hopes that the Senate Finance Committee would provide significant pushback against the House's deep cuts to the IRA energy tax credits, those have been largely dashed by Committee and floor actions to date. Of note:

- **Renewable Energy Generation Tax Credits (Sections 48E, 45Y, 45V, 25D):** The House-passed version required projects wishing to claim the 48E or 45Y credit to begin construction within 60 days of the legislation's enactment. To maintain eligibility, projects would have to be operational by December 31, 2028. The Senate Finance Committee version phased out these credits for wind and solar projects beginning construction after 2025, fully eliminating the credits for such projects that begin construction after 2027. For other technologies (e.g., nuclear, geothermal, and hydropower), the Senate Finance version phased out the credits for projects that begin construction after 2033, with the credit being completely phased out for projects beginning construction after 2035. Further, while the House version provided an exception for advanced nuclear projects, the Senate Finance version also provides an exception for solar and wind co-located with energy storage projects.

Despite significant lobbying to ease these restrictions, Senate Republicans moved late last Friday toward an even more restrictive phase-out of the ITC and PTC, aligning with the House bill. According to the newly released text, wind and solar credits are only available for projects placed in service before January 1, 2028. Residential solar projects under Section 25D would need to be put into service by the end of the year, as opposed to six months after passage as proposed by the Senate Finance Committee. Under the new Senate language, the Section 45V tax credit for hydrogen would be extended until the end of 2028, versus eliminating it this year as proposed by the Senate Finance Committee.

In an unanticipated turn, the new Senate language included an excise tax for wind and solar projects. The proposed tax would affect projects that do not meet new restrictions on renewable energy produced with parts tied to certain US adversaries like China. The amount of the tax would be calculated by evaluating the percentage of the value of the components in a project that are sourced from certain prohibited foreign entities. The bill sets a maximum threshold that escalates each year until 2032, and projects that exceed the cap would be penalized.

Senators Murkowski (R-AK), Ernst (R-IA), Grassley (R-IA), and Curtis (R-UT) have all offered amendments to rescind the excise tax and push back expiration dates. Whether they will be successful remains to be seen, though clearly renewable energy investors will need to reset expectations going forward.

- **Section 45X Advanced Manufacturing Credit:** The House-passed reconciliation bill proposed phasing out the Section 45X manufacturing credit one year earlier than current law. In contrast, the Senate version retains the IRA's original phase-out timeline for most components but eliminates the permanent credit availability for critical minerals, instead introducing a gradual phase-down: 75% of the credit in 2031, 50% in 2032, 25% in 2033, and elimination in 2034 and beyond. The Senate version also maintains an early 2027 sunset for wind components and further narrows eligibility by ending credits for integrated component sales after 2025. It also tightens the definition of battery modules, requiring them to include essential equipment such as current collector assemblies and voltage sense harnesses. Projects would remain subject to Foreign Entity of Concern (FEOC) restrictions, which were slightly more nuanced than those defined in the House bill.

Both the Senate committee language and the House-passed version of the bill terminate the clean vehicle and energy efficiency tax credits; however, the Senate committee language modifies the timeline, ending those credits nine to 12 months after the bill's enactment instead of on December 31, 2025.

One notable omission from the Senate committee language is the proposed annual $250 EV registration fee and $100 hybrid vehicle fee. While House Transportation Chair Sam Graves (R-MO) said he plans to reintroduce the fees if they are excluded from the final package, Senate EPW Chair Shelley Moore Capito (R-WV) has indicated the upcoming surface transportation reauthorization bill — expected later this year — may be a more appropriate vehicle for such policy.

Our colleagues at Mintz have provided a broader analysis of the tax provisions from the Senate Finance Committee, **viewable here**.

Senate Energy and Natural Resources Committee

The ENR Committee, chaired by Senator Mike Lee (R-UT), also repeals unobligated balances from IRA energy programs, including nearly all the IRA's supplemental support for DOE's LPO. Simultaneously, the text would establish a new energy dominance financing authority under Title 17 that is similar to the rescinded 1706 program.

However, the ENR Committee was forced to revise language that would have authorized the sale of public lands. Chair Lee submitted a new draft, currently awaiting parliamentarian approval, that eliminates Forest Service land from eligibility and restricts sales to lands at least five miles from population centers. Additionally, the percentage of Bureau of Land Management (BLM) land eligible for sale was reduced from up to 0.75% to a maximum of 0.5%. Despite these changes, ENR Ranking Member Senator Martin Heinrich (D-NM) argued that limiting the scope of land sales would not necessarily bring the proposal into compliance with reconciliation rules. A similar proposal had already been removed from the House-passed version due to Republican opposition, including from Representative Ryan Zinke (R-MT), who called the sale of public land a "red line," and Representative Jeff Hurd (R-CO). Montana Senators Steve Daines (R-MT) and Tim Sheehy (R-MT) have expressed similar opposition to Lee's plans.

Also currently under parliamentarian review is language that would facilitate oil and gas lease sales in the National Petroleum Reserve in Alaska, a 90% revenue sharing agreement with Alaska for oil and gas revenues in the Cook Inlet, and a provision seeking to fast-track coal leases. Already the parliamentarian struck down provisions that would have allowed natural gas export projects to pay a fee to be considered in the national interest, excluded offshore oil and gas projects from National Environmental Policy Act (NEPA) review, revived the Ambler Mining Road project in Alaska, and promoted geothermal lease sales.

Senate Environment and Public Works Committee

For the Senate EPW text, the Senate parliamentarian upheld that unobligated funds from the Greenhouse Gas Reduction Fund (GGRF) and IRA programs could be rescinded. The full fate of obligated GGRF funds, however, is still the subject of litigation. The final draft also removed an initial attempt to roll back Biden-era tailpipe emissions standards for model year 2027 and eliminated language that would have shielded fast-tracked NEPA reviews from judicial challenges.

Senate Armed Services Committee

The House-passed bill contains a provision appropriating $2.5 billion for "additional activities to improve the United States production of critical minerals through the National Defense Stockpile" while the SASC text contains a provision to appropriate $2 billion "for additional activities to improve the United States production of critical minerals through the National Defense Stockpile Transaction Fund." The Senate appropriates $3.3 billion for "grants made pursuant to the Industrial Base Fund" while the House proposes $3.5 billion.

An additional $5 billion is included in the SASC reconciliation text “for investments in critical minerals supply chains made pursuant to the Industrial Base Fund.”

Both the House-passed bill and the Senate text appropriate $500 million to the “Department of Defense Credit Program Account” to carry out the capital assistance program, including loans, loan guarantees, and technical assistance for critical minerals and related industries and projects, including related Covered Technology Categories.

DOE’s Headcount

DOE released further justification for their FY 2026 budget request on May 30, building on the administration’s earlier “skinny budget” and reaffirming DOE’s commitment to shifting priorities away from renewable energy, decarbonization, and commercialization, to fossil fuels, nuclear, geothermal, and research and development.

The FY 2026 budget requests $46.3 billion in discretionary funding for DOE, including a nearly 26% cut to nondefense energy programs. The request also provides the best opportunity to date to see the potential impact of administration efforts to shrink the DOE and other federal agency workforces. While the budget is likely to undergo significant changes as it works its way through the appropriations process, the personnel headcount tables provided are likely an accurate reflection of the actions the administration is taking. A table summarizing the personnel counts from the budget justification **can be found here**.

The tables show a net loss of more than 1,700 full-time equivalent employees across DOE. While this is equivalent to only 11% of the reported DOE workforce, offices responsible for clean energy and tied to the Biden administration implementation of the IRA would appear to bear the largest and disproportionate cuts.

Among the most severe impacts will be felt at LPO. The personnel cuts are spread over several different budget program lines, though the overall totals indicate a 58% reduction in federal workforce.

Also notable was the elimination of the Office of Technology Transitions (OTT), with its mission to expand the commercial and public impact of DOE’s research investments being moved under the Departmental Administration account, which is being cut by 18%. The Office of Clean Energy Demonstrations (OCED) is facing a potential 95% staffing cut as the budget proposes winding the office down. Secretary of Energy Chris Wright has already **announced** the termination of 24 OCED projects, totaling more than $3.7 billion in financial assistance, citing a lack of economic viability and a misalignment with the administration’s current priorities.

The Grid Deployment Office (GDO), which is responsible for modernizing and strengthening the electric grid, faces a 63% staffing cut and a potential 75% reduction to its budget. It will rely on unobligated funds from previous years to continue selected projects under its Energy Assurance and Resource Adequacy initiative.

The Energy Efficiency and Renewable Energy (EERE) Office is facing a 45% staffing cut as well as a potential 74% budget cut as the administration reorients to early-stage research and development in geothermal, hydropower, biofuels, industrial efficiency, and critical minerals while programs such as solar, wind, and hydrogen are zeroed out.

The numbers given were for FY 2026, which begins on October 1, 2025. Many at DOE and other agencies were given a deferred retirement plan, which would place them on administrative leave until the end of the 2025 calendar year. It’s not clear to what degree these additional reductions are part of the FY 2026 employee totals, though it’s likely that what was presented will turn out to be a lower estimate of the ultimate numbers as retirements are processed and additional staff consider their options.

The bottom line is that, regardless of the ultimate budget passed by Congress, applicants to DOE funding programs may face delays and some frustrations as fewer staff are available to manage programs. The seniority of many of those who have taken early retirement may also present a challenge to programs operating efficiently.

Other Updates

- **DOE Issues Critical Materials RFI:** DOE **issued** a **request for information** (RFI) seeking public input from energy stakeholders to inform DOE’s 2026 Energy Critical Materials Assessment. Specifically, DOE is seeking feedback on energy technologies of interest, materials of interest, supply chain information, market dynamics, challenges to domestic industry, methodology, critical minerals and materials lists, and other issues related to critical materials. **RFI responses are due by July 25, 2025.** Responses are not required for all categories or questions.
- **Introduction of the FOR SALE Act:** On June 26, Senator Joni Ernst (R-IA) **introduced 2173**, the Federal Office Realignment and Sale of Assets for Leveraging Efficiency (FOR SALE) Act, which would sell off six properties in Washington and aim to “generate $400 million in revenue and cut $2.9 billion in costs for overdue maintenance.” Any agency located in one of the buildings listed would have to vacate the premises and find space elsewhere within 18 months. The General Services Administration (GSA)

would then sell those buildings no later than two years after those agencies leave. Properties include the James V. Forrestal Building, the site of DOE's headquarters, which was already targeted for sale back in March when GSA released a now-removed list of buildings "marked for disposal." Other properties include:
  - The Department of Agriculture South Building, which is part of USDA's Washington headquarters complex.
  - The Hubert H. Humphrey Federal Building, now serving as the Department of Health and Human Services headquarters.
  - The Frances Perkins Federal Building, which is the Labor Department's headquarters.
  - The Theodore Roosevelt Federal Building, which is the Office of Personnel Management's headquarters.
  - The Robert C. Weaver Federal Building, which has been home to the Department of Housing and Urban Development.
- **Awarded Energy Storage Projects:** DOE's Office of Electricity announced three storage technologies projects that will receive $5 million each to demonstrate the ability of energy storage to support critical facilities and infrastructure during a power outage or other emergencies. The projects will receive funding through the Critical Facility Energy Resilience (CiFER) Funding Opportunity Announcement (FOA), which was released in August 2024 and authorized through the **Energy Act of 2020**, which passed via the **2021 Consolidated Appropriations Act** under the first Trump administration.
- **NEVI Program Funding:** On June 24, Judge Tana Lin, a Biden appointee, ruled that the Department of Transportation (DOT) likely violated the law by withholding "expected and relied-upon funding" under the National Electric Vehicle Infrastructure (NEVI) program, and was causing irreparable harm in those states by continuing to do so. She granted 13 of the 16 Democratic states' request for a preliminary injunction to block the freeze and restart the flow of funding, though she issued a seven-day stay pending an appeal by the government. The preliminary injunction did not apply to three of the plaintiffs — the District of Columbia, Minnesota, and Vermont — which Lin said failed to show "irreparable harm that would befall them absent injunctive relief." The ruling follows an opinion issued by the Government Accountability Office that the Trump administration violated the law by freezing the EV charger funding, which the Office of Management and Budget directed DOT to ignore in early June.
- **House Energy and Commerce Committee Advances 13 Grid Energy Permitting Bills:** On June 25, the House Energy and Commerce Committee advanced 13 bills that include efforts aiming to promote LNG exports, promote interagency coordination for pipeline reviews, and bolster the domestic critical minerals supply chain.
- **Removal of NRC Commissioner:** On June 16, President Trump fired US Nuclear Regulatory Commissioner Christopher Hanson. Hanson's dismissal opens a vacancy on the five-member Commission, which requires three members to meet quorum. A second vacancy looms if the US Senate fails to act on President Trump's renomination of Chairman David Wright by July 1.

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.

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.