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Washington Update: Sustainable Energy & Infrastructure — January 2026

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While the full implications of the events in Venezuela are still being assessed, there has been plenty of other news in the energy policy space to round out 2025. This month's update covers major congressional action on permitting reform and defense authorization, alongside significant developments in critical minerals investment, clean energy tax policy, artificial intelligence infrastructure, and federal energy regulation. From the House's passage of the SPEED Act to FERC's intervention on AI data center interconnections, these updates highlight how energy, national security, and technology policy will continue to converge in the new year, along with broader geopolitical events.

House Passes Permitting Reform Legislation

The House passed the SPEED Act, a sweeping overhaul of the National Environmental Policy Act (NEPA), by a 221-196 vote. Eleven Democrats joined Republicans in supporting the bill, while one Republican voted against it. During committee markup, Rep. Bruce Westerman (R-AR) worked with lead Democratic co-sponsor Rep. Jared Golden (D-ME) to add language making it harder for future presidents to revoke permits for energy projects of all types, an effort aimed at broadening Democratic support.

That compromise, however, sparked backlash from hardline Republicans, who argued the provision would "undermine" the Trump administration's efforts to curb offshore wind development. To secure GOP votes, party leaders weakened the measure, prompting the American Clean Power Association and several Democrats to withdraw their support. Despite those defections, the bill ultimately cleared the House.

The changes may complicate negotiations with the Senate, though. Any broader bipartisan deal is likely to extend beyond NEPA to include reforms to the Clean Water Act to ease pipeline permitting — a key Republican priority — as well as provisions to facilitate interstate transmission development, which Democrats view as essential for bringing clean energy onto the nation's power grid, but which House Republicans have so far resisted.

Further complicating the passage of the SPEED Act, and potentially killing any momentum for the foreseeable future, the White House halted construction of all US offshore wind projects three days before Christmas. While consistent with President Trump's disdain for offshore wind, it will likely further erode Democratic and even some Republican support for the bill. It could also make Republicans vulnerable going into midterm elections in 2026, when electricity prices and general questions of electricity supply will likely be in focus.

NDAA Passes Congress

Both chambers of Congress passed the FY26 National Defense Authorization Act (NDAA), authorizing $901 billion for national security programs — $8 billion above the president's budget request. The legislation includes several provisions with significant implications for energy, critical minerals, and industrial policy.

The Defense Industrial Base Fund is expanded to allow the Secretary of Defense to invest across defense supply chains, including materials, components, finished products, testing and qualification, infrastructure, facility construction and improvement, and equipment — explicitly encompassing critical minerals, materials, and chemicals. The bill also directs the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Defense Logistics Agency, to expand recovery and reuse of strategic and critical materials under the Strategic Material Recovery and Reuse Program.

In addition, the NDAA establishes an Ambassador-at-Large for Arctic Affairs to oversee a new Arctic Watcher Program, aimed at strengthening US energy security, cybersecurity, and economic interests in the Arctic, particularly in critical minerals and natural resources.

The bill updates covered technology categories for the Office of Strategic Capital to include nuclear fission and fusion energy technologies, extends the Defense Production Act through September 30, 2026, and reauthorizes the US International Development Finance Corporation (DFC) through 2031.

The DFC reauthorization significantly expands the agency's authority, raising its investment cap to $205 billion — an increase of more than 300% — creating a $5 billion equity revolving fund, and allowing equity investments of up to 40% minority ownership. The legislation also expands geographic eligibility to all countries except the wealthiest 20, while maintaining limited investment authority in those countries through Five Eyes partnerships and select sectors, including energy, critical minerals and rare earths, and information and communications technology such as undersea cables. No more than 10% of the DFC's maximum contingent liability may be used in wealthy or high-income countries.

Wind and Solar Tax Credit Lawsuit

A coalition of tribal, environmental, local, and consumer groups filed a lawsuit in US District Court for the District of Columbia challenging Trump administration rules that make it more difficult for wind and solar projects to qualify for federal tax credits. The suit argues that new Treasury Department guidance unlawfully changes how the start of construction is determined for wind and solar facilities — eliminating the long-standing 5% safe harbor in favor of a stricter physical-work requirement — while leaving other technologies unaffected, in violation of the Administrative Procedure Act. Led by the Oregon Environmental Council, the plaintiffs contend the rules unfairly discriminate against renewable energy, threaten investment and jobs in the wind and solar industries, and will reduce clean energy capacity, ultimately raising electricity costs for consumers. The lawsuit seeks to have the guidance declared arbitrary and capricious and vacated, as part of broader opposition to Trump administration efforts to roll back Biden-era clean energy policies.Treasury declined to comment on the litigation, and the IRS stated it does not comment on pending cases.

FERC Orders PJM to Revise AI Data Center Interconnection Rules

The Federal Energy Regulatory Commission (FERC) ordered PJM Interconnection, the nation's largest grid operator, to develop new rules governing how loads, such as artificial intelligence data centers, connect to the electricity grid when they are co-located with power generators. FERC found PJM's proposed co-location tariff to be "unjust and unreasonable," citing a lack of clarity and consistency in rates, terms, and conditions for both generators serving co-located load and transmission customers.

The commission directed PJM to establish new transmission service options, with proposed terms expected early this year, and to submit a report by January 19, 2026 addressing reliability concerns associated with determining the amount of new capacity that is needed to maintain system reliability. The ruling is expected to influence FERC's broader approach to the Department of Energy's proposed rule to accelerate data center interconnections, which has drawn more than 160 public comments. With regard to the Department of Energy's proposal, FERC Chair Laura Swett said FERC is actively reviewing the proposal and will move "as quickly as we can once we are ready."

DOE Advances the Genesis Mission

The Department of Energy (DOE) announced agreements with 24 organizations to collaborate on the Genesis Mission to advance US artificial intelligence innovation, following responses to a recent request for information and ongoing project partnerships with DOE and the national laboratories. Participating organizations include major technology and AI leaders such as Accenture, Amazon Web Services, AMD, Anthropic, Cerebras, Dell, Google, Hewlett Packard Enterprise, IBM, Intel, Microsoft, NVIDIA, OpenAI, Oracle, Palantir, xAI, and XPRIZE, among others.

DOE also noted that two related RFIs remain open: "Partnerships for Transformational Artificial Intelligence Models" through January 14, 2026, and "Transformational AI Capabilities for National Security" through January 23, 2026.

Continued Critical Minerals Investments

The Trump administration is backing the construction of a $7.4 billion zinc smelter in Tennessee as part of a broader push to expand domestic critical minerals production through direct federal investment. Under the agreement, South Korea's Korea Zinc will acquire the only operating primary zinc smelter in the United States and construct a new, modern facility capable of processing 13 different critical and strategic minerals beginning in 2029.

The project will be partially financed through a $1.9 billion joint venture involving investment from the Department of War's Office of Strategic Capital. The deal follows South Korea's commitment to invest $350 billion in the United States as part of trade negotiations aimed at avoiding higher US tariffs.

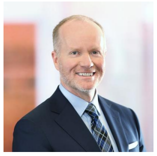
Conclusion

ML Strategies continues to closely monitor the policy areas outlined above, along with broader developments in the energy sector. We welcome the opportunity to connect. Please feel free to reach out with any questions or to explore potential opportunities.

Authors

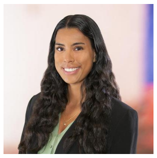
John Lushetsky, Senior Vice President

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.