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2026 Energy Outlook: How Affordability, Data Centers, and Grid Constraints Will Shape Policy

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Energy Affordability Becomes the Center of US Politics in 2026

If previous years were labeled as years of "energy transition," 2026 will be the year that "energy affordability" dominates politics and policy, with the electricity system as the central focus. A combination of factors is reshaping the US energy agenda in ways that cut across traditional party lines, including:

- rapid load growth from data centers,
- rising scrutiny of permitting to allow for increased transmission and generation,
- a renewed push to finance firm capacity (especially nuclear), and
- a widening industrial policy consensus around critical minerals.

Our view is that in 2026, the winning strategy — for policy makers, candidates, and companies — is to stop treating these issues as separate lanes. The grid is now a full-stack political economy problem: generation, transmission, fuel supply chains, and household bills are converging into a single narrative. Candidates and policy makers will not be judged on abstract decarbonization targets; they will be judged on whether the lights stay on and whether voters feel their monthly costs are under control.

Midterm Elections and the Rising Political Risk of Electricity Demand

The midterms are still months away, but the political shape of the issue is already clear: voters experience "energy policy" primarily as a cost-of-living matter, and electricity is poised to become a more prominent — and more volatile — component of that story.

The reason is straightforward: load growth is back across the board. The Energy Information Administration's January 2026 Short-Term Energy Outlook projects US electricity consumption to set new records in 2026 and 2027, with data centers explicitly cited as a major driver, though not the only one. That matters because rapid load growth tends to show up in the places politicians least want surprises: resource adequacy warnings, interconnection fights, local siting disputes, and (ultimately) rate cases.

Moves toward reshoring manufacturing are also driving electricity growth after over a decade of being decoupled from GDP. Upgrades to distribution infrastructure are also contributing to rate base expense.

Issues of "affordability" should drive policy toward an "all of the above" strategy for energy generation. The wildcard will be how much the administration stiff-arms solar with storage and wind as clogging application queues with non-baseload power. Still, rising overall prices should create favorable deployment forces for renewables to compete as a hedge against natural gas prices and speed-to-power alternatives.

Nuclear Energy Expansion: The Role of the Energy Dominance Financing Office

In 2026, nuclear is positioned to benefit from a rare alignment: it is firm, domestic, and increasingly framed as strategic infrastructure for both industrial growth and national competitiveness. The key question is not whether nuclear is back in the conversation, it is whether the US can finance and permit projects at a pace that matches load growth.

This is where the newly branded Energy Dominance Financing Office (the former DOE Loan Programs Office) becomes central. Statements by Secretary of Energy Chris Wright put EDFO clearly in the spotlight for nuclear as well as for the transmission lines that will be required to deliver power. In contrast to the first Trump term, federal credit support is being reframed as an instrument of firm-capacity expansion and industrial strength, not merely clean energy deployment.

2026 will be the year that determines whether the reality matches the theory, as EDFO tries to scale to meet the nuclear challenge, potentially financing new nuclear technologies that have never been demonstrated, with significant cost uncertainty, and positioning the US to meet goals for tens of gigawatts of nuclear power in the near term. Having both the Trump administration and Congress firmly behind them will help, though no one should ignore the complexity of the path ahead.

Permitting Reform and FERC: Why Grid Buildout Is Now the Top Constraint

Permitting reform efforts in 2026 will also reach a critical point to see if institutional changes that actually reduce timelines can be achieved. In electricity, that means transmission planning, interconnection, and cost allocation — the unglamorous machinery that determines what can be built and where.

On December 18, 2025, the House passed the **Standardizing Permitting and Expediting Economic Development (SPEED) Act**, introduced by Reps. Bruce Westerman (R-AR) and Jared Golden (D-ME). The bill passed with bipartisan support after negotiations that initially added, then weakened, provisions limiting future presidents' ability to revoke energy permits. Although the bill cleared the House, the changes may complicate Senate negotiations. A broader bipartisan deal could extend beyond NEPA to include Clean Water Act reforms for pipelines and measures to facilitate interstate transmission — issues that remain politically contentious.

FERC's regulatory role here is also key. The Commission's **Order No. 1920** on long-term regional transmission planning and cost allocation is a major attempt to move planning from reactive to forward-looking, with subsequent modifications and ongoing implementation work. In parallel, FERC is expected to advance a rulemaking proposal from the Energy Secretary aimed at accelerating grid interconnection for large loads, including data centers. Following an advanced notice of proposed rulemaking (**RM26-4**), FERC is likely to issue a formal notice of proposed rulemaking, setting the stage for substantive jurisdictional debates throughout 2026.

Without faster transmission permitting, almost every other 2026 energy objective becomes more difficult — from adding nuclear to integrating new gas, to scaling renewables, to supplying power to critical-minerals processing plants and manufacturing loads. This is why transmission is increasingly framed as a prerequisite for affordability rather than a niche regulatory project. The political calculus should be straightforward, though the administration's recent cancellation of wind projects puts at risk the opportunity for bipartisan cooperation.

Critical Minerals Become Core to US Industrial Strategy

Critical minerals have moved from "important" to "structural." In 2026, the supply chain conversation is no longer confined to battery materials; it is spanning grid infrastructure, defense applications, and advanced manufacturing. Two recent signals are particularly important:

- **The USGS final 2025 list of critical minerals** added several high-salience materials (including copper and uranium, among others), reflecting broader recognition that electrification and grid buildout are mineral intensive.
- **A new proposal for a $2.5 billion Strategic Resilience Reserve** indicates a bipartisan willingness to adopt market stabilization and stockpiling tools historically associated with oil and strategic commodities.

The policy posture is also becoming more assertive on trade and processing dependence. A January 2026 White House **action** on processed critical minerals emphasized US net import reliance and the processing bottleneck.

In 2026, companies should assume the federal government will increasingly treat critical minerals not as a narrow mining topic, but as an integrated industrial system — mining, processing, refining, recycling, and downstream manufacturing. Expect more complex financing deals — leveraging DOE EDFO, DOW OSC and DPA, CHIPS, EXIM, and DFC — combining government ownership with debt and supply agreements. Companies may grow wary of the federal government as a major shareholder or debt holder, though the lack of available capital from other sources will make it hard to pass up.

Efforts to reform US capital markets to support more early-stage mining projects, similar to efforts seen in Australia and Canada, could be an important development. Also, US reliance on foreign sources of

magnesium — critical for aerospace and automobile lightweighting — may be elevated to the same level of rare earth elements.

Regulatory Uncertainty: The Endangerment Finding, EPA Rules, and Efficiency Standards

Few actions would reverberate across the energy and transportation economy more than rescinding or substantially revising the 2009 Greenhouse Gas Endangerment Finding. EPA publicly announced a **proposal** in mid-2025 to rescind the finding and related regulatory structures.

Even if an administration can propose rescission, the pathway runs through procedural requirements and predictable litigation. That means the practical outcome for markets is not clean deregulation, it is a period of contested rules in which some sectors delay investment pending clarity and others accelerate investment to lock in positions before rules change again.

For energy companies, the best approach is to plan for regime uncertainty rather than a single settled endpoint. Whether one supports rescission or opposes it, the operational implication is the same: compliance strategies, disclosure practices, and capital planning will need contingency branches. The same can be said for efforts to change other parts of the Clean Air Act and energy efficiency standards.

In May 2025, DOE **announced** plans to roll back efficiency standards for 17 consumer products, including microwave ovens and battery chargers, arguing that existing regulations restrict consumer choice and raise costs. These proposed rollbacks were not finalized in 2025, leaving industry stakeholders anticipating further action in 2026. DOE officials have also signaled that additional efficiency regulations are forthcoming, potentially targeting larger appliances such as water heaters and central air conditioners that were not included in the initial package.

Energy efficiency standards, as well as voluntary programs such as Energy Star, can be expected to receive unique bipartisan support for the role they can play as a supply resource in an increasing demand market environment. Texas-focused debate is already illustrating a potential template: require or incentivize large new loads to help fund efficiency measures that reduce peak strain and mitigate rate impacts. Efficiency therefore may be seen as a “bill reduction and reliability” tool, rising above the “energy source” fight.

What These Trends Mean for US Energy Stakeholders in 2026

For 2026, the US is entering a period where the speed of electricity demand growth is forcing policy convergence around reliability and affordability — whether leaders like that framing or not.

The implications are practical and immediate:

- Data centers will drive policy as much as policy drives data centers. Planning assumptions are becoming political facts.
- Federal finance tools will matter more, particularly if the Energy Dominance Financing Office continues to back large, system-relevant projects.
- FERC implementation becomes a kitchen-table issue when transmission delays translate into higher costs and reliability warnings.
- Critical minerals policy is hardening into industrial strategy, including stockpiling concepts and more explicit attention to processing dependence.
- The fight over the Endangerment Finding and energy efficiency standards will amplify uncertainty across multiple sectors, with litigation and procedural durability as the real determinants of business impact.

Taken together, these developments signal a pivotal year for US energy policy. Decisions made in 2026 will shape the country’s energy system, industrial competitiveness, and national security posture for years to come. Stakeholders across the energy sector should prepare for an environment defined by accelerated timelines, heightened political scrutiny, and significant opportunities for those positioned to navigate the evolving federal landscape. As always, ML Strategies is poised to help stakeholders navigate these changes and opportunities.

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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.

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