Washington Update: Sustainable Energy & Infrastructure — February 2026

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Federal energy and infrastructure policy saw major movement at the start of 2026, with Congress approving the FY2026 Energy and Water appropriations bill, the Department of Energy announcing a significant reorganization, and the Trump administration advancing new priorities on critical minerals, grid reliability, and energy financing. This month's update highlights the most notable legislative, regulatory, and judicial developments shaping the sustainable energy and infrastructure landscape.

Congress Passes FY2026 Energy Appropriations Bill

Congress approved the FY2026 Energy and Water Development and Related Agencies Appropriations Act in mid-January, providing the Department of Energy (DOE) with $49 billion. For the first time since FY2024, earmarks are included, the largest being $213 million for the long-running Army Corps project at Chickamauga Lock, Tennessee.

In key DOE budget lines that control major grant funding, the final bill exceeded the President's Budget submission, in some cases substantially. Appropriations under the Energy Efficiency and Renewable Energy (EERE) budget line, for example, were $3.1 billion, compared to only $888 million in the original request. While FY2026 budgets were down relative to those in FY2025 for these key programs, it does show that Congress is supportive overall of DOE's key mission.

Still to be defined is exactly how these funds will be deployed through different programs and financial opportunities, overlayed with the new organizational structure the administration has announced.

Key DOE Programs	FY 25 Enacted	FY 26 White House Budget Request	FY
Energy Efficiency and Renewable Energy	$3.46 billion	$888 million	$3
Manufacturing and Energy Supply Chains (housed under EERE)	$19 million	$15 million	$1
Clean Energy Demonstrations	$50 million	$0	$0
Office of Electricity	$280 million	$193 million	$2
Grid Deployment	$60 million	$15 million	$2
Fossil Energy	$865 million	$595 million	$7

Nuclear Energy	$1.69 billion	$1.21 billion	$1
ARPA-E	$460 million	$200 million	$3
Office of Science	$8.24 billion	$7.09 billion	$8

The bill’s provision of $3.1?billion for EERE advances a broad energy portfolio, including continued clean energy investments in medium- and heavy-duty vehicle electrification through the SuperTruck program, major support for battery technologies, and funding for zero-emission mobility pilots, battery recycling R&D, and low- and zero-emission off-road applications. The measure also directs targeted funding for distributed wind, next-generation geothermal demonstrations, and whole-building energy performance, alongside investments in low?emissions industrial processes and advanced HVAC and heat pump technologies.

Further, the bill supports diversification of battery chemistries, strengthens domestic supply chains through the Industrial Assessment Center program, and advances aviation?related battery innovation. In the Office of Fossil Energy, $720?million is directed toward hydrogen production, storage, and transport — including carbon?capture?enabled pathways — and expanded efforts on critical minerals extraction from unconventional sources. The $8.4?billion provided to the Office of Science bolsters new priorities like fusion energy research and experimental capabilities, while ARPA-E receives $350?million for the SCALEUP program, to continue scaling high-impact technologies across areas such as Arctic microgrids, modular mineral processing, and small?scale geothermal systems.

Notably, the bill repurposes funds from the Infrastructure Investment and Jobs Act (IIJA) for refocused priorities, including $375 million to the Grid Deployment Office to “enhance the domestic supply chain for distribution and power transformers and other electrical grid components” and $3.1 billion to the Office of Nuclear Energy for the Advanced Reactor Deployment Program for up to two awards for the development of Gen3+ small modular reactors. Further, the Office of Energy Dominance Financing (EDF) is also provided an additional $150 million to support financing small modular reactors and advanced nuclear reactors. Regarding the EDF, the bill does not fulfill the administration’s request to rescind any unobligated credit subsidies and instead maintains all loan programs, specifically directing DOE to “prioritize projects that expand the domestic supply of critical minerals” when carrying out the Title 17 loan guarantee program.

DOE Office Reorganization

On January 28, 2026, DOE **detailed** how it will be restructuring EERE to the Office of Critical Minerals and Energy Innovation (CMEI), which will have three new pillars:

- the Office of Critical Minerals, Materials, and Manufacturing, focusing on critical minerals and metals, expanded battery and magnet research, processing and metallurgy innovation, and the recycling of black mass and battery materials;
- the Office of Energy Technology, focusing on fuels, chemicals, and hydropower; and
- the Office of Innovation, Affordability, and Consumer Choice, focusing on state and community energy and weatherization programs and building and industrial technology application.

These changes are set to take effect immediately, but it remains to be seen how other restructuring will commence.

Continued Critical Minerals Activity

On the critical minerals front, the Trump administration is making its largest direct investment yet in a critical minerals producer, injecting $1.6 billion into Oklahoma-based USA Rare Earth. The investment includes a $1.3 billion loan and $277 million in additional funding under the CHIPS and Science Act, in exchange for a 10% equity stake and additional warrants. This follows earlier investments in Atlantic Alumina Company, a Louisiana alumina refinery, and MP Materials, reflecting a broader push to secure domestic rare earth and critical mineral production.

Also during the month, a bipartisan coalition of lawmakers introduced the **DOMINANCE Act**, developed with the Trump administration, aimed at strengthening US access to minerals essential for energy technologies. Reps. Young Kim (R-CA) and Ami Bera (D-CA) propose reconstituting the State Department’s shuttered energy bureau as the Bureau of Energy Security and Diplomacy, creating an Office of Energy Security Compacts to coordinate agreements with allied countries, and codifying the Mineral Security Partnership — a multilateral initiative launched under the Biden administration. The legislation also seeks to bolster US mining education, including a Fulbright-style program for students studying mining engineering abroad.

DOE’s Review of EDF Project Financing

DOE announced that $83.6 billion in loans and conditional financings made through the Energy Dominance Financing Office (EDF) during the Biden era are being cancelled or restructured. Most recently announced on January 28, 2026, EDF said it is pulling a $1.8 billion loan to Arizona Public Service Company that was meant to help finance investments in transmission and other renewable power projects. EDF also said it withdrew a $62 million commitment to Vistra Corp. for a project, not previously announced, that was intended to help construct solar and battery storage in Illinois. EDF has completed or is in the process of de-obligating almost $30 billion, with another $53 billion in revision. Approximately $9.5 billion in wind and solar projects were being eliminated and replaced with investments in natural gas and nuclear uprates.

Despite the announcement, DOE has moved forward on several Biden-era projects, including loans to Lithium Americas and the Palisades Nuclear Plant restart. EDF currently has $289 billion in loan authority as a result of the One Big Beautiful Bill (OBBB) passed in June. With questions about energy security and affordability continuing to be relevant, it is likely that the EDF will be very active over the next three years, with a focus on nuclear, critical minerals, electricity transmission, and natural gas transmission and generation projects.

Navigating Increased Grid Demand

PJM Interconnection LLC, which serves 13 states including New Jersey, released proposals to manage rising demand from new data centers. Recommendations include improving load forecasting, permitting data centers to bring their own generation, or curtailing usage first during emergencies. PJM is considering an emergency capacity auction and a Trump-backed price collar extension, though a backlog of new generation projects remains a challenge.

Illustrating the near-term severity of the problem, the Trump administration issued several waivers during the severe snow and cold weather that hit much of the country during January 25 – 26, 2026. The 202(c) waivers, requested by PJM, ISO New England, and the Electric Reliability Council of Texas, allow generators to operate at maximum levels “notwithstanding air quality or other permit limitations.” DOE **authorized ERCOT**, through January 27, to “direct backup generation resources at data centers (including but not limited to hyperscaler facilities), and at other large load industrial and commercial customer sites to operate as a last resort” before requiring firm load interruptions. These actions follow emergency orders issued in January by DOE for several coal plants to delay retirement through March 2026.

In a related announcement, the Energy Information Administration’s (EIA) January Short-Term Energy Outlook projects US electricity demand to grow by 1% this year and 3% in 2027, marking the first four-year consecutive increase since 2007 and the strongest four-year growth period since 2000. Large computing centers are driving much of this demand. Natural gas production is expected to reach nearly 109 billion cubic feet per day in 2026, supporting rising electricity needs and US liquefied natural gas exports. The Outlook also forecasts rising natural gas prices, increased solar power capacity despite federal restrictions, a decline in US crude oil production, and lower global oil prices as production increases internationally.

Court Review of Administration Actions

President Trump’s long-standing opposition to US offshore wind has faced setbacks in federal courts, with judges — including one appointed by Trump — allowing construction to resume on multibillion-dollar projects that the Interior Department had attempted to pause. For the Empire Wind I project off the coast of Long Island, the judge found that the administration’s claims that the project posed a national security threat were insufficient to outweigh the developer’s showing of irreparable harm resulting from construction delays, therefore ruling that project construction should continue as litigation ensues. Meanwhile, developers of the Vineyard Wind project off the coast of Massachusetts and the Revolution Wind project off the coast of New England have filed new legal challenges, similarly arguing that construction should proceed during litigation and that the administration’s stop-work order violates the Administrative Procedure Act and the Outer Continental Shelf Lands Act.

A federal judge ruled against the Trump administration in a challenge brought by clean energy groups and the city of St. Paul, Minnesota, over the Department of Energy’s termination of previously awarded clean energy grants. The court vacated DOE’s October termination notices for seven awards totaling $27.6 million, finding the cancellations unlawful. The plaintiffs argued that the terminations violated the Fifth Amendment’s equal protection guarantee and the First Amendment’s free speech protections. The judge agreed on the Fifth Amendment claim but held that the plaintiffs lacked standing to pursue the First Amendment challenge. In his issued opinion, the judge noted that the administration offered “no explanation for how their purposeful segregation of grantees based on their electoral support for President Trump rationally advances their stated government interest,” calling the case “unique” because the defendants “freely admit” that termination decisions were driven primarily by whether an awardee was located in a state that voted for Trump in 2024.

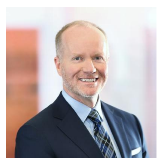
Conclusion

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.



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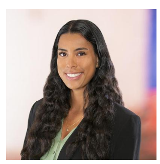
Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal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



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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.