The Cost of Energy Cuts in the Federal Reconciliation Bill

The federal reconciliation bill repeals clean energy tax credits, which will contribute to energy price inflation. These changes will have an impact on:

Household Energy Costs

- In Minnesota, electricity bills are projected to increase by **10% by 2029** and **25-42% by 2035.**

Energy and Manufacturing Jobs

- Clean energy jobs projected to be lost in Minnesota: **13,000 by 2030**
- Minnesota investments at risk: **$7.8 billion**

Economic Development

- Rising electric rates threaten overall economic development.
- Projected loss to Minnesota GDP: **$1.5 billion by 2030; $2.6 billion by 2035**

Benefits of Clean Energy Tax Credits

Federal tax incentives and clean energy funding drive BIG results for Minnesota: **lower energy costs, job creation, and cleaner air.** Repealing clean energy tax credits will slam the brakes on meaningful progress. Since the 2022 passage of the Inflation Reduction Act (IRA), which aims to reduce U.S. greenhouse gas emissions by 40% by 2030, Minnesota has seen:

- **$2.4 billion in clean energy and manufacturing investments**
- Nearly **2,500 new permanent operational jobs** and **4,800 construction jobs**
- **135 new clean energy facilities** launched
- **7 new facilities** now manufacturing Minnesota-made products

Breakdown of Credit Repeals

Technology-neutral clean electricity credits

As electricity demand continues to grow, wind and solar will remain the most effective and only readily deployable existing technologies for rapidly adding power to the grid.

The reconciliation bill will cost Minnesota ratepayers $10-$20 billion by terminating credits for wind and solar projects that start construction after July 2026, or are placed in service after 2027. The bill will add new taxpayer, contracting, and manufactured product/component Foreign Entity of Concern (FEOC) restrictions. It will also raise costs and slow down growth for new energy projects and needlessly extend the lifespan of expensive, outdated, and polluting coal power generation.

Housing credits

As of 2023, 8,740 Minnesota households claimed the Residential Clean Energy tax credit to install solar/geothermal energy solutions. 60,110 households claimed the Energy Efficient Home Improvement Credit to offset costs of improvements like insulation, heat pumps, and efficient water heaters.

The reconciliation bill repeals these individual credits, which will expire at the end of 2025.

Electric vehicle (EV) credits

Since the EV tax credit took effect, more than 20,000 EVs have been registered in Minnesota, allowing those consumers to transition from a fossil fuel-powered car to one that is less expensive to fuel and maintain.

The reconciliation bill repeals this credit, which will expire after September 2025.

Clean hydrogen credits

Clean hydrogen, which has been supported by a tax credit that has now been repealed, is key for producing high-value iron products in Minnesota. Traditionally, Minnesota iron is shipped to where coal is available to make steel. If coal were to be replaced by clean hydrogen, Minnesota could move up the value chain and make steel and other high-value products.

The reconciliation bill's repeal of the hydrogen tax credit will likely kill the emerging clean hydrogen economy and imperil development of Minnesota manufacturing of fertilizer and sustainable aviation fuel.

Loss of global economic competitiveness

Changes to energy tax credits, including restriction on use of the advanced manufacturing tax credits, will likely cede solar, wind, and electric vehicle manufacturing to China. Globally, demand for these technologies is growing rapidly; the rest of the world will continue to build out these supply chains while this bill leaves the U.S. behind.

For more information, visit the Minnesota Department of Commerce website at mn.gov/commerce/energy/federal-support-matters