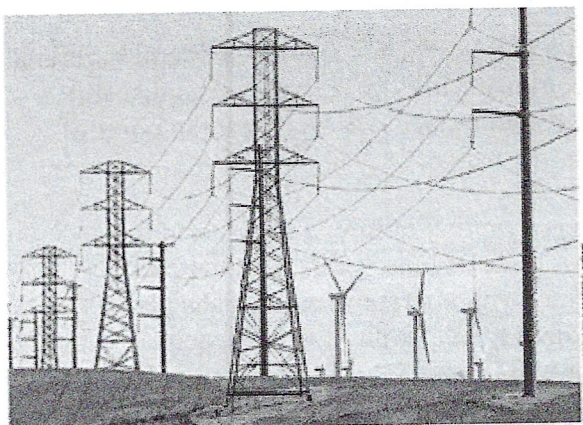


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Don't blame AI or Trump. The real problem is rules that make it difficult to keep up with demand.



DAVID PAUL MORRIS/ BLOOMBERG NEWS

Why Your Electric Bill Keeps Rising

By Mario Loyola

Electricity rates are climbing across the U.S. Many blame the boom in artificial- intelligence data centers for driving electricity demand, which could increase 25% by 2030. Soaring demand ought to be good news—it signals a flourishing economy. In an efficient market, it would trigger a construction boom in reliable and affordable power sources. But it hasn't because of artificial constraints on generation capacity.

The green-energy lobby points to the massive deployment of subsidized solar capacity in recent years, arguing that renewables have been able to handle rising data-center demand in places like Texas.

But that model isn't scalable. Grid operators must back up intermittent wind and solar with dispatchable sources that they can dial up and down. Utility batteries also have limitations: Most last only a few hours before they have to be recharged. To meet demand, the U.S. would need massive new dispatchable power generation—coal, natural gas and nuclear—that could run as long as needed. But the U.S. retired almost 10 gigawatts worth of such plants in 2024, enough to power up to 7.5 million homes.

The vast deployment of subsidized solar and wind in America's power sector today imposes hidden costs and undermines investment in reliable power sources.

The Inflation Reduction Act's subsidies force dispatchable power sources offline intermittently, making it nearly impossible for them to recoup costs. As a result, most new energy project proposals in the U.S. are now solar, even though grid operators are already struggling with the solar they have. The One Big Beautiful Bill Act trims green-energy subsidies after 2028, but until then they will remain, entrenching a powerful renewables lobby. The Obama-Biden war on fossil-fuel power, especially coal plants, has combined with renewable subsidies to poison the investment horizon for the power sources we most urgently need.

State renewable-portfolio standards, which require utilities to get a certain minimum percentage of their electricity from renewables by a specific date, are another self-inflicted wound. Electricity costs nearly three times as much in states with the strictest renewable-portfolio standards as in those with none.

Subsidies and mandates on renewables are especially harmful to multistate grid operators, which generally have to buy power in bulk from the lowest bidder regardless of reliability. Subsidies allow solar and wind to undercut competitors,

leading to a massive misallocation of investment capital. The result is a grid with mounting reliability and cost pressures.

Another obstacle is America's stifling system of permitting and environmental review. U.S. infrastructure generally takes longer and costs more to build than in other industrial economies. Red tape means years of delay, billions in added costs, and a grid that takes longer to respond to new demand compared with other countries.

In the long run, nuclear power is the clear solution to meet increasing demand. Nuclear plants are expensive to build but cheap to operate and could be the backbone of a grid that offers low-cost electricity with low carbon emissions. But nuclear plants are virtually impossible to permit because of regulations that seek to reduce risk well past the point of diminishing returns.

Some argue that what is holding back construction of new natural-gas plants is a market failure: a backlog in the manufacturing of natural-gasfired turbines, with wait times now extending for three or more years. But that, too, is largely the result of bad regulations, such as President Biden's power-plant rule, which targeted natural-gas plants. A more favorable environment for fossil-fuel power under President Trump is already alleviating the bottleneck. Mitsubishi recently announced plans to double turbine production in the next two years.

Ominously, PJM, the largest power grid operator in the U.S., recently proposed to meet surging demand by rationing electricity supply. Large data centers seeking connection to the grid would have to pay premium capacity prices or agree to shut down during peak demand hours, while priority would be given to those that build their own power plants. These measures would privilege companies that can afford to build their own plants over smaller cloud providers. This kind of energy rationing will aggravate shortages. The proposal was withdrawn amid fierce opposition. That it was proposed at all shows what dire straits PJM is in.

Demand from AI isn't the problem—artificially constrained supply is. It's a problem that China, America's great AI competitor, doesn't have. China is also experiencing an AI data-center boom, but its electricity is getting cheaper. While overregulation shuts down badly needed coal plants in the U.S., China is building them as fast it can. Last year it broke ground on almost 100 gigawatts of coal capacity, enough to power more than half the homes in America.

The answer is to let the market respond to price signals by expanding supply as quickly as possible. The U.S. must end renewable subsidies, reform electricity regulation, slash permitting red tape and allow a nuclear renaissance.

Do that, and private investment will deliver the cheapest and most reliable electricity in the world. Or stay the course, and Americans will face higher prices and more blackouts, while the AI revolution goes abroad in search of more plentiful power.

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