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Solar projects completed after 2027 would be affected. JOHN

Proposed New Tax Stuns The Clean-Energy Industry

BY JENNIFER HILLER

Senate Republicans stunned the power industry over the weekend with a proposed new tax on wind and solar projects, part of a push to unravel incentives for renewable energy.

Energy tax credits that were expanded during the Biden administration are wrapped up in a Congressional fight over President Trump's signature tax and spending bill.

Most of the credits are on the chopping block while lawmakers fight over ways to extend tax cuts and fund border and military spending, among other things. With each version of the bill to come out of Congress, the outlook for the renewables industry looks bleak in new ways, industry players say.

This weekend, clean-energy companies were surprised by the sudden appearance of a tax that they hadn't realized was under consideration. It would apply to wind and solar projects completed after 2027 if they use a certain percentage of components from China, the industry's primary supplier of everything from critical minerals to batteries.

"At a basic level it is a fundamental break in the compact between Congress and the private sector," said Jason Grumet, chief executive of the American Clean Power Association, an industry group. "It is truly unprecedented for Congress to design a punitive tax targeting one aspect of the American economy."

Elon Musk, whose relationship as a key adviser to the president recently unraveled, called the Senate's latest version of the bill "utterly insane and destructive" on social media. "It gives handouts to industries of the past while severely damaging industries of the future," said Musk, chief executive of electric-car maker **Tesla.**

Wind and solar projects would qualify for tax credits only if placed in service by the end of 2027. The prior version of the bill allowed projects to qualify based on their construction start date.

The new guidelines present a much tougher bar to clear. Developers can control construction starts, for instance, by ordering key equipment or building roads on a site. They have far less influence over inservice dates, which depend on being able to connect to the grid, where lines are long.

Neil Bradley, executive vice president of the U.S. Chamber of Commerce, called it a "strong, pro-growth bill" on X but added, "That said, taxing energy production is never good policy, whether oil & gas or, in this case, renewables. Electricity demand is set to see enormous growth & this tax will increase prices. It should be removed."

The power industry is grappling with meeting electricity demand that is rising for the first time in a generation. The growth is largely due to the artificial intelligence craze and rush to build huge, electricity-chugging data centers.

Developers argue renewables will help meet the rising demand because they account for most of the near-term electricity generation in the works.

The Trump administration, on the other hand, wants to see more 24-7 power generation built. Yet there is a backlog of four to five years for natural-gas power-plant equipment, making it difficult to add many more of those plants quickly.

The Senate bill also would end tax credits for the purchase of electric vehicles after September, quicker than the House proposal's call for eliminating them by the end of the year for most vehicles.

Musk stands to lose because many of Tesla's customers claim tax credits for EVs, solar panels and home battery systems, and Tesla benefits from battery-storage tax credits.

Companies have argued that provisions under consideration in the bill would raise electricity bills, cede manufacturing to China and lead to U.S. job losses, but they are running out of time for rescue by a handful of Republicans who want to protect investments in their states.

Trump wants the bill passed by the Senate and the House and on his desk by Friday. Sen. Thom Tillis of North Carolina, one of only two Republicans to vote to oppose a procedural vote on the bill, said Sunday that he wouldn't seek re-election next year after crossing Trump.

"I think the sector as a whole has never faced this kind of an ambush when it comes to policy uncertainty," said Sandhya Ganapathy, chief executive of EDP Renewables North America, which invested about $20 billion into U.S. projects so far.

Developers have been hoping for a smooth sunset of tax credits but are facing what Ganapathy called a "hard cliff."

Energy Secretary Chris Wright on Friday called wind and solar subsidies "wasteful and counterproductive."

"Subsidies are meant to drive prices down and boost supply," he wrote in the New York Post. "But subsidizing wind and solar has done exactly the opposite."

The Senate bill would continue tax credit support for technologies such as nuclear, geothermal and hydropower. Hydrogen projects would get more time before expiration, too.

Under current law, the energy tax credits phase out over four years, starting in either 2032 or when the U.S. power sector's greenhouse-gas emissions fall to a quarter of their 2022 levels—whichever comes later.

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