Federal Impact on Minnesota's Energy Landscape

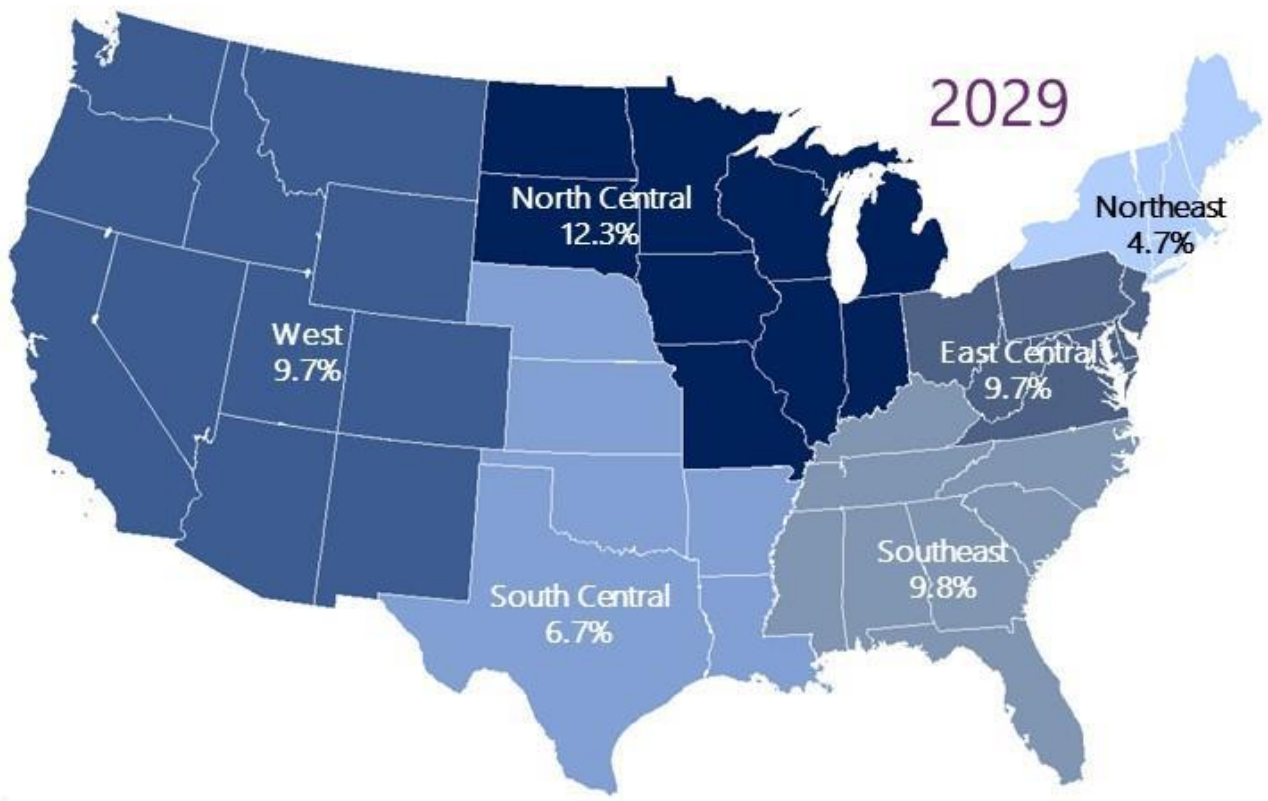
Division of Energy Resources

Federal Impacts on Energy Costs in Minnesota

- Projected changes to utility bills and the energy sector
- Federal funding implications for Minnesota
- Effects on Minnesota's 100% Clean Energy by 2040 goal
- LIHEAP Update

Impact on utility bills & energy sector in Minnesota

- H.R. 1 is projected to significantly raise household energy costs nationwide
- In Minnesota, energy bills are projected to increase by
  - 10% by 2029
  - 25-42% by 2035



NERA/CEBA: Projected increase in Delivered Electricity Price with loss of tax credits.

Impact on utility bills & energy sector in Minnesota

- H.R. 1 will have significant impact to energy and manufacturing jobs – leading to the loss of 760,000 jobs by 2030 and putting $522 billion in investment in the U.S. at risk.
  - Cost Minnesota 14,400 jobs in 2030
- Across Minnesota, new solar and wind projects currently planned are going to be build, but it will cost ratepayers more.
- $7 billion in lost federal payments to Xcel, Minnesota Power, and Otter Tail Power for projects they are scheduled to build from 2028-2032.

Federal Funding Impact

- Clean Energy Tax Credits
  - Terminated credits for wind and solar that commence construction after July 2026, or are placed in service after 2027.
  - Introduces new restrictions on taxpayer eligibility, contracting, and foreign entity components (FEOC)
  - Wind and solar will remain the best existing technologies to rapidly add electricity to the grid to meet rising electricity demand, including data centers.
- The H.R. 1 will raise costs and slow down the growth of new energy projects
  - Backlog for new gas turbines are into the 2030s
  - Needlessly extending the lifespans of expensive, outdated, and polluting coal power generation

Federal Funding Impact

- Clean Hydrogen
  - The Clean Hydrogen Production Credit (45V) was not extended.
  - Projects must begin construction by December 31, 2027 to qualify
  - This change may jeopardize Minnesota's green hydrogen economy. This, along with restrictions on carbon capture credit will indirectly hurt Sustainable Aviation Fuel (SAF).
- Green Hydrogen is key to producing high value iron products in MN
  - Traditionally Minnesota iron shipped to where coal is available to make steel.
  - If coal is replaced by hydrogen, Minnesota could move up the value chain and make steel and other high value products.

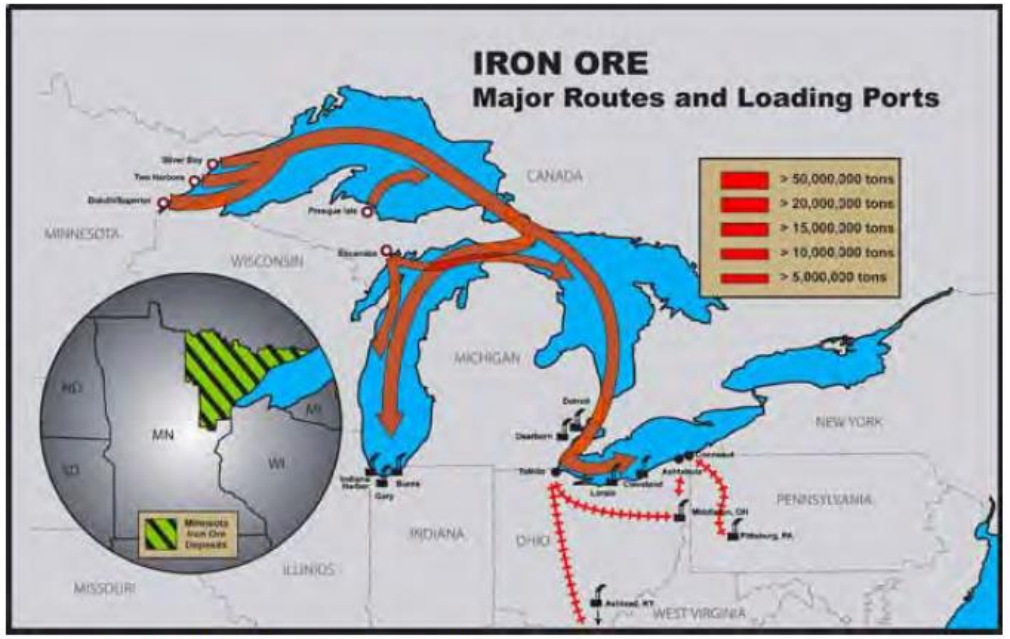


Figure 1. Iron Ore: Major Routes and Loading Ports

Federal Funding Impact

Individual Clean Energy Tax Credits

- Housing Credits: Expire at the end of 2025
  - Residential Clean Energy Tax Credit to install solar/ geothermal
    - 8,740 households claimed such credit (2023 Minnesota data)
  - Energy Efficient Home Improvement Credit to offset the costs of insulation, heat pumps, efficient water heaters, etc.
    - 60,110 households claimed such credit (2023 Minnesota data)
- Electric Vehicles (EV) Credits
  - Over 20,000 EVs registered in MN since the tax credit took effect (approximately 51,000 total full EVs)
  - Expired on September 30, 2025

Coal Plant Emergency Orders

- Consumers Energy (utility), Michigan regulators and the Midcontinent Independent System Operator (MISO) signed off on the retirement of the J. H. Campbell coal plant
- Emergency order from Administration requires it to remain open
- Cost: $80 million since May
- Estimated $300 million to keep it running
- Minnesota part of lawsuit from 15 states challenging the authority of the Administration to make these orders

Energy Grant Cuts

- In response to the Federal Government Shutdown, the Trump Administration announced billions in grant cuts that primarily impacted Democratic leaning states.
- This includes projected cuts to over $500 million in cuts in Minnesota based projects
- Without these investments, Minnesota could face higher energy prices, slower infrastructure development, and increased burdens on low- and middle-income households

Impact to Minnesota's 100% by 2040

- Energy demand in Minnesota is increasing
  - Data centers
  - Electrification
- H.R. 1 makes energy more expensive, but solar and wind will remain the easiest to build and most cost-effective forms of new energy generation
- Despite federal changes, Minnesota utilities are still on track to meet the state's 100% carbon-free electricity mandate under Minn. Stat. 216B.1691.

LIHEAP

- On Tuesday, November 18, U.S. Health and Human Services (HHS) notified LIHEAP grantees:
  - $3.7B of appropriated $4.025B in LIHEAP funding will be released
  - This amount is comparable to past years when a Continuing Resolution is in place
  - HHS indicated they “anticipate this funding release will occur by end of November 2025”
- Once an award letter is provided, Commerce should be able to start making payments to all eligible households within one business day

LIHEAP

- EAP has received over 91,000 applications as of 11/21/25
  - Department is working with utilities to avoid shut-offs for EAP applicants
- 70% have been processed, with over 45% determined eligible
  - Many are missing information, which has been requested – this is typical
- Over $23M in bill payment assistance benefits are ready to be paid as soon as federal funding arrives

Natural Gas

- Minnesotans can also expect their Natural Gas Bills to increase.
- Per Energy Information Administration:

> "We expect prices to average $4.00/MMBtu in 2026, 16% higher than in 2025, primarily due to increased liquefied natural gas (LNG) exports amid flat production growth."

H.R. 1's Impact Energy in Minnesota

In conclusion, recent action taken by the Federal Government in the past year, including the enactment of H.R. 1.

- Repeal of clean energy tax credits
- Failure to deliver on contracts for energy-related grants
- Potential threat to funding for long-standing energy programs
- Tariffs on clean energy components
- Policies to stop coal plant closures

These actions are expected to increase energy costs and may slow Minnesota's clean energy transition.

Thank You!