Tariffs are expected to lead to higher electricity prices in Minnesota

www.minnpost.com/energy/2025/05/tariffs-are-likely-to-mean-higher-electricity-prices-and-a-minnesota-industry-in-limbo/

By Brian Martucci May 1, 2025

Minnesotans are already seeing higher prices on electronics, groceries and a host of other product categories due to the Trump administration's sweeping import tariffs. Industry experts say electricity prices could follow.

"We believe that this is going to raise costs for all electricity consumers," said Michael Allen, co-founder and CEO of St. Paul-based All Energy Solar, which installs solar, battery and EV charging systems for residential and commercial customers.

On April 2, President Donald Trump announced tariffs on goods imported from nearly every country, including manufacturing powerhouses China, Vietnam and Mexico, with exemptions for hundreds of raw materials, manufacturing inputs and finished goods.

About a week later, following a stock market crash and blowback from the international business community, he dialed back duties on most countries to 10% while preserving the option to increase them again in 90 days and boosting tariffs above 100% on a range of goods produced in China.

Trump's broad tariffs added to preexisting duties on key materials and finished products used across the energy sector. In February, for example, Trump set a 25% levy on imported steel and aluminum in an executive order that name-checked Minnesota's iron ore industry. A similar tariff on copper — a critical input for electrical equipment — could follow soon. And U.S. tariffs on imported solar cells and lithium-ion batteries date back as far as the Obama administration.

"This is not the first road show we've seen come to town," Allen said. What's different about this go-round, he said, is the deep uncertainty of an on-again, off-again tariff framework where levies seem to change by the day.

"I have no idea what's going to happen, and no one else does either. We're all in limbo right now," Allen said, adding that pricing throughout the supply chain is much more volatile than usual.

Higher electricity bills ahead?

It's not just local executives like Allen warning about a possible increase in energy costs — and business uncertainty — induced by the administration's unpredictable trade policy. So are energy supply chain experts.

"[T]he tariffs could lead to significant cost increases in the power industry supply chain. Uncertainty over tariff liabilities in complex supply chains, and over possible future changes in tariff rates, can also be a deterrent to investment," wrote Ed Crooks, vice chair of Americas for global consultancy Wood Mackenzie, which focuses on the energy industry, in an April 8 note that called the U.S. power industry "one of the sectors that is most exposed to tariff impacts."

The average final tariff on electrical equipment is now 38%, Crooks said. And suppliers face similar rates on other key power inputs, like the glass used in solar panels and steel used in piping.

Solar panel installers and other energy equipment buyers in Minnesota and across the United States are actively seeking U.S.-made alternatives to imported products, said Martin Pochtaruk, CEO of solar equipment manufacturer Heliene. Canada-based Heliene has two solar module factories in Minnesota and is considering opening a third production facility here.

Although suppliers don't have to pay tariffs on the products they make in the U.S., higher demand is combining with still-limited U.S. supplies to push prices higher across the board, Pochtaruk said.

"The price is going up whether the product is imported or local, due to the higher demand for local," he said.

The Minnesota Public Utilities Commission sets rates charged by public electric and natural gas utilities like Xcel Energy and CenterPoint Energy. A utility can ask for permission to raise rates in a process known as a rate case, which the PUC says involves "a comprehensive review of [its] investments and expenses" to determine whether the proposed increase is "necessary and reasonable."

As a rate case proceeds, the utility can bill customers at a higher interim rate, subject to a refund of the difference if the case resolves at a rate lower than requested.

Minnesota law allows utilities to charge rates to recover costs needed "to provide adequate, efficient, and reasonable service to ratepayers, including an opportunity to earn a reasonable rate of return" on investment, the PUC says.

Utility rates apply not only to residential consumers but also to commercial and industrial consumers that may consume many times more power than a typical household. So if U.S. trade policy chills investment in energy-intensive industries, such as data centers, utilities may have fewer new customers to support planned or already-underway investments in new and existing infrastructure, said Brian Ross, vice president of renewable energy at the Great Plains Institute, a Minneapolis nonprofit focused on decarbonizing power, industry and transportation.

In an April earnings call, an executive with California utility PG&E said the company could actually reduce customer rates amid an influx of data center proposals, making explicit the connection between data center development and residential customers' bills.

Amazon, Microsoft, Meta and a lesser-known Colorado developer have announced plans to build massive data centers in the Twin Cities' exurbs, each expected to eventually consume enough power for tens or hundreds of thousands of homes.

That said, utility planning is a slow process, so Minnesota customers won't see immediate bill impacts due to data center demand or lack thereof, Ross said.

Tariffs could also raise prices — and the risk of shortages — by worsening preexisting supply constraints for transformers, gas turbines and other critical electrical equipment, Ross said. The average wait time for a new transformer increased from about one year in 2021 to more than two years in 2024, and orders for some larger transformers now take as long as four years to fill, Wood Mackenzie said last year.

Higher equipment prices and longer lead times will make it more difficult and expensive to build new power generation to serve growing demand for electricity from transportation, buildings and the new industrial facilities the Trump administration wants to attract to the U.S., All Energy Solar's Allen said. If you're a homeowner or business who believes energy will become more expensive amid future scarcity, it could make sense to lock in relatively low costs — and reduce reliance on the electric grid — by installing solar panels and perhaps batteries for onsite energy storage now, before the tariff impacts fully hit, he added.

"Our customers who already have solar are telling us, 'Whew, I'm really glad I made this decision,'" Allen said.

The upshot for made-in-Minnesota energy

With the administration unlikely to rethink its protectionist stance anytime soon, businesses across the energy supply chain may try to locate more production in the United States, especially if Congress preserves the clean energy manufacturing tax credits enacted during the Biden administration, Pochtaruk said.

But for more complicated factories, that could take years. Pochtaruk contrasted the eight-to-nine-month build time for a new solar module plant like the ones Heliene runs in Rogers and Mountain Iron with the roughly two-year development window for a new solar cell factory, which he said involves a “wet chemical process” in a super-clean manufacturing environment.

In December, Heliene paused plans to build what would be one of the United States’ only solar cell plants, citing uncertainty around federal tax credits for clean energy manufacturing. The company has done a significant amount of early work on the project and could get the new facility up and running 18 months after deciding to move forward, Pochtaruk said.

Heliene is weighing two possible locations for the cell factory, one in North Carolina and the other in the Twin Cities metro. Heliene today employs about 340 people in Mountain Iron and about 220 in Rogers, he said.

Even for seemingly basic components like solar cells, tariffs play havoc with complex global supply chains. Though solar cell manufacturing involves a mix of imported and U.S.-made inputs, most are more expensive now in part because even domestic inputs may themselves require imported precursors, Pochtaruk said.

Likewise, All Energy Solar sources solar panel racks, power inverters and other types of equipment from U.S. manufacturers, but the complexities of global supply chains for energy equipment mean it’s unlikely that the local industry will ever be able to source everything it needs within the United States, let alone Minnesota, Allen said. Even if trade barriers persist, it may cost less to make some low-margin inputs in lower-cost southeast Asian countries that already make them cheaply, he said.

While Minnesota’s energy industry faces the same tariff-related uncertainty as other states for the moment, the state could protect itself in the longer run by leaning into emerging energy sectors like sustainable aviation fuel, or SAF, produced from crops and other biomass, Ross said.

Minnesota lawmakers and business boosters seem to agree. A SAF producers’ and buyers’ consortium convened by the GREATER MSP Partnership in 2023 now includes heavyweights like Delta Air Lines and Airbus, and state lawmakers authorized a $1.50-per-gallon tax credit for Minnesota-made sustainable jet fuel last year. A few months later, DG Fuels announced plans to produce more than 190 million gallons of SAF annually in Moorhead by 2030.