

ISSUE BRIEF

Economic Impact of Tech-Neutral Rollbacks in the Senate-Proposed Reconciliation Bill

June 19, 2025 (Last Updated June 24, 2025)

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Summary

The House-passed and Senate-proposed 2025 budget reconciliation bills each include provisions that significantly alter the Inflation Reduction Act's tech-neutral clean energy tax credits, particularly sections 45Y and 48E. To assess the impact, we developed custom deployment models to represent the provisions of currently proposed bill language, which was then modeled in the [Energy Policy Simulator](#) (EPS) by Energy Innovation to estimate net economic impacts at the national level.

Over ten years, the Senate-proposed rollbacks of tech-neutral tax credits would cost:

- 1.6 million jobs
- \$190 billion in lost wages
- \$280 billion in lost GDP

These losses are relative to a scenario where tech-neutral tax credits remain fully in place. The Senate-proposed language is slightly more favorable for future tax credit uptake than House-passed text, due to differences in sunset timetables and Foreign Entity of Concern (FEOC) requirements. The Senate-proposed language proposes more favorable tax credit timetables for grid-firming technologies such as nuclear, geothermal, and hydropower.

However, potential losses from Senate-proposed language could be higher depending on the real-world implementation. The feasibility of complying with FEOC requirements proposed by the Senate remains ambiguous, and could render tech-neutral tax credits inaccessible.

These findings come at a time when U.S. electricity demand is rising sharply, with forecasts projecting a [25% to 46% increase by 2035](#). This surge—driven by electrification, AI-powered data centers, and domestic manufacturing—may require up to [150 GW of new capacity](#) within the next five years. In this context, even marginal changes to tax credit design carry outsized consequences. **Near-term investment in tech-neutral tax credits will be critical to meeting accelerating load growth.**

Overview of Approach

To evaluate the effects of the Senate-proposed reconciliation bill, we developed a set of independent policy calculators to model the technology-specific impacts of two core provisions: (1) component-level Foreign Entity of Concern (FEOC) restrictions and (2) an early sunset of tech-neutral tax credits.

These calculators estimate changes in tax credit-induced energy deployment across technologies under each policy scenario. Detailed documentation on the modeling framework is available in a [previous issue brief released on the House-passed bill](#). The FEOC model was updated to reflect the minimum non-FEOC content thresholds included in the Senate bill, while the early sunset model was modified to align with proposed phasedown credit percentages and dates. **Importantly, our modeling does not reflect the potential complexity or administrative burden of complying with the Senate bill's proposed FEOC provisions.** In many cases, the statutory language may require developers to prove supply chain relationships or ownership details that are difficult to verify. These project-level uncertainties are outside the scope of the results presented.

The redeployment results from these calculators were then integrated into the Energy Policy Simulator to quantify downstream impacts on generation capacity, jobs, GDP, and other metrics.

Overview of Senate-proposed vs House-passed Bill Language

Scenario	Description
Senate-proposed Reconciliation Bill	The production and investment tax credits for solar and wind are phased down, with credit values reduced to 60% for projects beginning construction in 2026 and 20% in 2027, as proposed in the Senate bill. In addition, foreign entity of concern (FEOC) restrictions disqualify projects for all technologies from receiving full credits if they fail to meet minimum non-FEOC content thresholds. Although both policies apply based on construction start dates, their impacts begin to affect deployed capacity in 2028, assuming a two-year lag between construction and in-service.
House-passed Reconciliation Bill	Credits are removed starting in 2028, reflecting the House bill's disqualification of projects that begin construction more than 60 days after enactment. With a two-year lag between construction and operation, 2028 marks the first year with no new eligible projects.

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