Congress of the United States

Washington, DC 20515

April 30, 2025

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
Washington, DC 20004

The Honorable Jason Smith
Chairman, Ways & Means Committee
U.S. House of Representatives
Washington, DC 20004

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20505

The Honorable Mike Crapo
Chairman, Senate Finance Committee
United States Senate
Washington, DC 20505

Speaker Johnson, Majority Leader Thune, Chairman Crapo, Chairman Smith:

Last November, the American people elected President Trump in part due to his promises to tamp down inflation, craft a tax code that makes sense, and restore American energy dominance. All three of these priorities are inextricably intertwined.

We both served as state utility regulators for a state that embodies all-of-the-above electricity generation, exporting vast amounts of power to the grid and neighboring states. We understand state and regional power markets and strongly believe smart, targeted federal investments in our energy sector can be in the national interest. Multiple federal statutes state the public policy of the United States is to provide a reliable and resilient grid, yet all too often our tax code subsidizes the opposite. American citizens would be best served if all market distorting credits are removed from the federal tax code and each electrical generation source stood on its own performance. At a minimum, our tax code should acknowledge and appropriately value the critical contribution of dispatchable power to the electrical grid. Regrettably, it continues to shower intermittent energy generators with incentives and resources without regard to its contribution to a rapidly degrading electrical grid.

Long-past nascent technologies like wind and solar have been receiving favorable tax treatment for over 40 years. These costly investment and production credits can cover up to 70% of a project's costs,[1] massively distorting electricity markets and unnecessarily shifting cost to all taxpayers. This "temporary" tool to proliferate innovation has become an indefinite entitlement, creating the biggest interconnection queue ever.[2] This is backwards and deserves a thoughtful approach focused on reliability, affordability, and resiliency.

We must evaluate each tax credit individually to assess its benefit to the American public. Specifically, we should ask: Have these tax credits strengthened the electric grid, or made it more fragile? Have they compromised the reliable delivery of power? Have they made the grid

[1] https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/Programs/Clean-Energy-Siting/Inflation-Reduction-Act-Guide-for-Solar-and-Storage-Projects.pdf
[2] https://emp.lbl.gov/queues

more difficult to operate? Has the consumer at the end of line seen prices increase or not? Have we complicated the situation by incentivizing generation sources in need of expensive and often redundant transmission lines? By evaluating energy tax credits in the IRA using these criteria, we can make necessary adjustments to these incentives to better serve the American people who ultimately pay for them.

With each of us having the benefit of serving on North Dakota's Public Service Commission, we are alarmed by the state of the American electrical grid. The North American Electric Reliability Corporation's (NERC) annual long-term reliability assessment found 11 out of the 18 Regional Transmission Organizations (RTOs) across North America are at an elevated risk of resource adequacy shortfalls.[3] This means there may not be enough electricity generation to meet demand.

Even more concerning, the Midcontinent Independent System Operator (MISO), which manages part of the electrical grid from North Dakota to Louisiana, impacting 45 million customers, faces a high risk of resource adequacy shortfalls over the next 10 years, even under normal conditions. MISO is predicting it may not have enough generation capacity to meet demand on normal days, never mind during severe weather events when it is needed most. While 1,570 GW of generation is actively seeking interconnection to the grid,[4] greater than the nearly 1,300 GW operating today,[5] every region of the country is on a downward trajectory for anticipated reserve margins. This is because dispatchable resources continue to retire and variable or weather-dependent resources make up 95% of generation proposed to come online. We are sending the wrong signals to the market and are getting results that in a modern, advanced 21st-century economy, are simply unacceptable and frankly, embarrassing.

We also cannot fall for Democratic talking points or inadequate economic analyses proclaiming amendments to these tax credits will send electricity prices soaring. To start, residential electricity prices in the U.S. have increased 25% over the last four years.[6] It took the 15 years prior to increase as much. They also refuse to recognize the real-world examples of grids bound to weather-dependent resources. We see it in California and in Germany and the United Kingdom where electricity prices are four times higher than in the U.S.[7]

However, by reforming targeted tax incentives like 45Q for carbon capture, utilization, and sequestration we can reduce emissions for significantly lower cost and retain dispatchable facilities. These are the kinds of incentives Congress should focus on—still emerging technologies that both protect the reliability of the electric grid and enable meaningful reductions in carbon emissions. Similarly, 45U, allows existing nuclear reactors to economically remain on the grid producing reliable, zero-emission electricity. Both these incentives have broad bipartisan support because they provide tangible benefits, such as extending the lifespan of America's coal and nuclear fleet, while ensuring a reliable, clean power source for the grid.

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[3]https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_Long%20Term%20Reliability%20Assessment_2024.pdf

[4] https://emp.lbl.gov/queues

[5] https://www.publicpower.org/resource/americas-electricity-generating-capacity

[6] https://www.eia.gov/electricity/

[7] https://assets.jpmprivatebank.com/content/dam/jpm-pb-aem/global/en/documents/eotm/heliocentrism.pdf?page=29

The IRA also created the technology-neutral 45Y and 48E clean electricity tax credits. This massively expensive provision includes both investment and production credits, railroading federal dollars only to emission-free sources, pushing our grid to the brink of failure. Because of the risk of adequacy shortfalls we are seeing today, Congress should take action to responsibly phase out 45Y and 48E. At a minimum, Congress should look at ways to account for reliability in these credits, such as by only rewarding electricity generators who produce energy with factors accounting for reliability and cleanliness. Such an approach will cost substantially less to the taxpayer while prioritizing new reliable resources, such as geothermal, hydropower, coal and natural gas with carbon capture, and nuclear without excluding wind and solar. Generators would be paid for their performance; not how good they make policymakers feel.

When talking about electricity, ultimately reliability, resiliency, and affordability are what matters. Our statutes already require these attributes, except for our tax code. We have the opportunity to change course by taking an all-encompassing, thoughtful approach. Let's focus on what works. As we continue to formulate the parameters of an American energy dominance agenda, we stand ready to work with you and other Republican elected officials to deliver on the mandate the American people entrusted with us.

Sincerely,

Kevin Cramer
U.S. Senator

Julie Fedorchak
U.S. Representative