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On the Grid: One Step Forward, Two Steps Back 7/11/25



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Welcome back to *On the Grid*, Third Way's bi-weekly newsletter, where we'll recap how we're working to deploy every clean energy technology as quickly and affordably as possible. We're excited to have you join us!



THE AMERICAN ENERGY AGENDA

Over the July 4th weekend, President Trump signed the "One Big Beautiful Bill" into law. Much of the attention has rightly been focused on the bill's devastating \$1 trillion cut to Medicaid, stripping millions of Americans of healthcare coverage. But the bill also includes damaging changes to US energy policy. There are, certainly, climate consequences here. But the bill also inflicts devastating damage on the energy sector writ large, making the grid much less reliable, raising costs for working families, and making it much harder for American companies to compete.

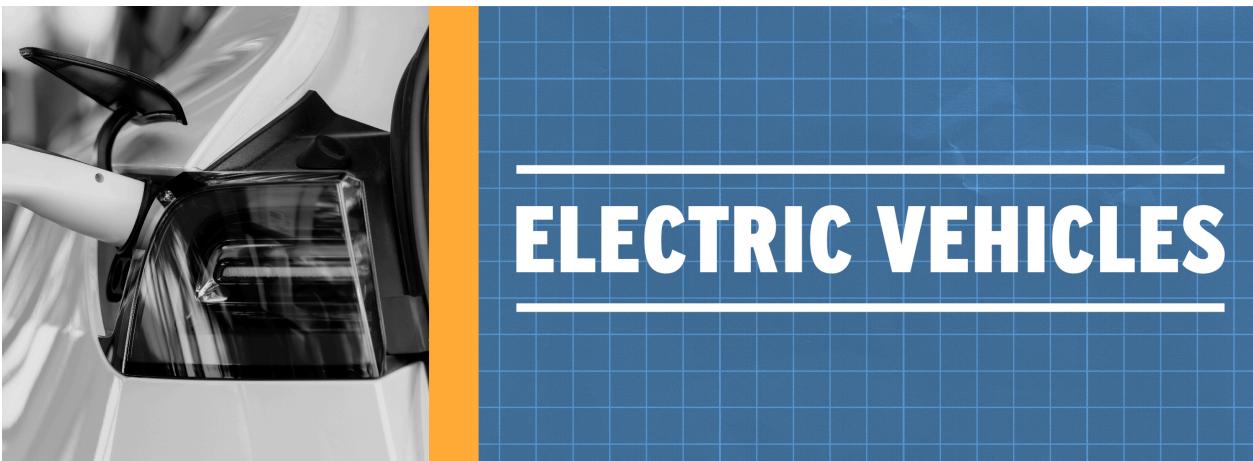
Here's what we're expecting now that the bill has become law:

- **A Weaker, Less Reliable Grid:** The Trump law will significantly reduce the amount of new power generation added to the grid over the next decade. The bill is expected to result in 340 GW less clean energy capacity by 2035. That's the equivalent of taking 25% of the US grid offline. The only offsetting addition—19 GW of new natural gas—is unlikely to materialize in the next five years due to supply chain bottlenecks. But electricity demand will surge—driven by AI, data centers, and electrification—long before any new natural gas capacity is expected to come online. It also makes it harder and more expensive to meet that growing demand and be prepared for the future.
- **Higher Costs for Working Families:** American families will be hard hit. By slashing support for clean energy deployment and manufacturing, the bill is projected to kill 760,000 jobs by 2030 and wipe out \$980 billion in GDP over the next decade. For the average US household, this will lead to higher costs: \$160 more per year on energy bills in 2030 and \$284 more per year in 2035.
- **Ceding Leadership to China:** China has rapidly emerged as the world's first electrostate, leading the world in battery production, wind and solar manufacturing, and electric vehicles. The country's power and influence around the globe is only increasing, with the energy transition acting as a catalyst for exponential growth. Meanwhile, the Republican Congress's plan cuts clean energy tax incentives, disrupts project timelines, and introduces restrictive sourcing rules that undermine America's ability to grow and compete in fast-growing clean energy. America has lagged behind China for years, but this is something worse, a deliberate, self-inflicted wound.

The Bottom Line: Since the US began treating clean energy as a strategic industry, we've seen hundreds of billions of dollars in investment in American companies and infrastructure. This was delivering results: more jobs, more electricity, lower costs, and real leadership in global markets. The Trump Administration and Congress completely changed that trajectory. While the final version of the bill walks back some of the most extreme proposals we've seen over the last few months, the damage to technologies like wind and solar is real. These technologies now face an artificially short window to qualify for tax credits and must comply with sweeping new Foreign Entity of Concern rules that will create legal uncertainty and financial risk for developers.

Executive Disorder: President Trump also issued an Executive Order directing the Treasury Department and IRS to publish guidance within 45 days to strictly redefine what it means to have "started construction," potentially overriding long-standing safe harbor provisions that developers rely on to secure financing and move projects forward. Essentially, Trump is amplifying the negative changes made by Congress to score political points, and sacrificing American companies to do so.

What We're Doing: We are building out the political, policy, and messaging case that, for the US to thrive and be a place of hope and abundance (again), the future must be electric. Not just because of climate change, but because the technologies that will dominate the 21st century economically and militarily will run on or produce electricity. The Trump Administration does not share this thinking. We'd love for them to move in that direction, but we suspect they won't. So we will arm the necessary policymakers, NGOs, and companies with the tools they need in order to lead the US there.



Chinese automakers like BYD, SAIC, and Geely produced 70% of all EVs sold globally last year. US automakers? Just 5%. Even US giants like Tesla were overtaken by less-expensive, well-made BYD and Geely models. Thanks to 100% tariffs on Chinese EVs, Chinese EVs are rare in American communities. But they're dominating overseas. There's no question that any industry, EV or otherwise, that requires a 100% tariff wall to keep market share is not competitive. Right now, America *can't* compete with China's EV industry—and the US can't hide from that fact forever. American autos need a course correction.

Instead, the US is pulling back. Key tax credits for new and used EVs are set to expire on September 30, and support for domestic battery production is now tangled in complex eligibility rules. We're essentially kneecapping America's ability to catch up. Yet another self-inflicted wound.

Why This Matters: The global EV market is worth billions of dollars in market share, which should be motivating enough. But more than anything, EV manufacturing is a litmus test for which country is positioned to lead the next industrial generation. Dominating this industry means retaining a domestic auto industry and controlling vital global supply chains for batteries, semiconductors, and critical mineral—industries that fuel everything from defense to next-generation technologies.

Falling behind isn't just a monetary loss for US automakers. It signals to the world that we're surrendering the future of transportation, innovation, and energy systems to China. In fact, this isn't even about cars. It's about who—*the US or China*—defines the future of transportation, industrial innovation, and emerging energy systems. With every EV that China produces, it drives down costs, builds economies of scale, and locks in global dominance. As our new public opinion polling on China shows, Americans aren't deterred by China's lead. They want to see the US step up and compete.

What's Next: Here's the hard truth: the US won't beat BYD or other Chinese firms at their own game. China has spent years building supply chains and scaling battery production for lithium-ion batteries. They are far ahead of us, and we won't catch up by making the same technology cheaper. If we want to lead, and there's a pretty good case why we should, then we need to do what the US always does: invent something better and, this time, keep the IP here. That includes investing *now* in what comes next: high-performance, low-cost batteries, faster and smarter charging infrastructure, and new automotive technologies. If we want to win, we need to change the game.



- Avi Zevin and Jake Higdon, in *Heatmap*, outline the central paradox of the *One Big Beautiful Bill* and how overly restrictive Foreign Entity of Concern rules will leave the US more dependent on China, not less.

- Michael Dunne, in the *New York Times*, argues that without bold, coordinated action, the US is going to lose its auto industry to China.
- Jason Bordoff, on Columbia's Energy Exchange podcast, chats with Laura Cozzi, chief energy modeler at the International Energy Agency, about the growing energy demands of AI and how it will impact the energy transition.