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ASSESSING IMPACTS OF "ONE BIG BEAUTIFUL BILL ACT" ON RHODE ISLAND's ENERGY COSTS, JOBS, HEALTH, AND EMISSIONS

On May 22, the United States House of Representatives passed its 2025 budget Reconciliation legislation entitled the One Big Beautiful Bill Act (OBBBA); the bill has now moved on to the U.S. Senate for committee markups and an eventual vote.

The legislation repeals multiple federal policies, funding programs, and tax credits that drive American energy manufacturing and deployment. As passed, the text claws back unobligated funding, expands new oil and gas leasing, changes and eliminates existing energy and manufacturing tax credits, and repeals certain Clean Air Act programs. In particular, the bill drastically changes and terminates existing clean energy tax credits passed by Congress in 2022, which to date have generated $1.18 billion in new private-led investment across 21 domestic energy and manufacturing facilities in Rhode Island.[1] An additional $2.01 billion of outstanding private investment has been announced across 24 facilities in Rhode Island.

As passed in the House, the OBBBA would undercut these 45 projects, threatening billions in investments, holding back economic growth, costing jobs, and forcing families and businesses to pay higher energy bills.

Energy Innovation used its open-source, peer-reviewed Energy Policy Simulator to analyze the potential effects of the policy changes on Rhode Island included in this legislation. This analysis compares a "Current Policies" scenario that includes all current law and regulations to an "EI House OBBBA" scenario that includes energy- and agriculture-related Reconciliation provisions. A full discussion of the provisions modeled is included in Appendix A of the National Modeling Report.

We find the House OBBBA as passed would increase annual energy bills by $55 million across Rhode Island households annually in 2030, swelling to more than $83 million in higher energy costs by 2035, for a total of $315 million during the budget window of 2025 to 2034. This is due to higher dependence on fossil fuels and higher fossil fuel prices. Although the House OBBBA leads to more fossil fuel production, prices still exhibit a net increase, as increased demand would raise prices more than increased domestic supply could lower them.

The changes envisioned by this bill would cost Rhode Island's workforce 2,000 jobs in 2030 and nearly 1,500 jobs in 2035 as new investment in domestic energy and manufacturing falters.

[1] As of June 2025

Annual GDP in Rhode Island would shrink by $29 million in 2030 and $29 million in 2035. Between 2025 and 2034 – the Reconciliation budget window – cumulative GDP would shrink by $2.1 billion in Rhode Island.

This report expands our initial national assessment of the draft Reconciliation bill released by House committees in May, incorporating methodological and policy updates summarized in the Methodology section of our corresponding national report and scaling impacts down to the individual state level. Notably, this modeling now reflects changes that were introduced between the OBBBA text released by House committees and the final House OBBBA text, including the repeal of passenger light-duty CAFE standards for model years 2024–2026, a change to the phaseout timeline for 45U credits for existing nuclear production, and more recent Congressional Budget Office estimates of agriculture conservation outlays.

This modeling also includes other important federal policy changes, including Congress' revocation of California's waiver for Advanced Clean Cars II and Advanced Clean Trucks rules, a newly added model feature to estimate the employment impacts of cancelled battery projects due to modified tax credits, various methodological improvements to the estimation of jobs and GDP impacts, and refined assumptions and modeling on fuel price changes from increases in demand for coal, natural gas, and refined oil products.

Less Electricity Supply

The House OBBBA text includes several modifications to the technology-neutral production tax credit and investment tax credit for clean electricity. These changes include an earlier phaseout timeline for the credits, new language tethering credit eligibility to a placed-in-service date instead of a commence-construction date (effectively ending the credits four years earlier and making it such that many projects already in the planning phase would be affected), alongside restrictions on taxpayer eligibility and changes to rules on the use of components, subcomponents, and critical minerals from Foreign Entities of Concern.

Collectively, these changes would dramatically slow deployment of new electricity generating capacity in Rhode Island at a time of rapidly growing electricity demand – total U.S. demand is forecast to increase 16 percent, or 128 GW, in the next four years.

Compared to the Current Policies scenario, the House OBBBA would decrease cumulative new electricity capacity in Rhode Island by 0.2 gigawatts (GW) by 2035.

By 2035, additions in Rhode Island would change by:

- 0.1 GW in decreased solar capacity
- 0.1 GW in decreased battery storage capacity

Making new clean electricity less economic will decrease new investment by utilities and independent power producers, threatening the ability to bring new capacity online in time to meet demand forecasts and significantly raising the costs to do so. Clean energy composed more than 90 percent of all new capacity added to the U.S. grid in 2024, while gas turbine manufacturers face delivery backlogs until at least 2029. Clean electricity tax credits bolster new deployment by incentivizing development of new renewables.

Higher Energy Spending

Reduced clean energy investment will increase fuel and operating expenses in Rhode Island. Wind and solar have no fuel costs and lower operation and maintenance (O&M) costs than fossil-fueled

power plants, which means they put downward pressure on overall power generation prices compared to non-renewable generation sources. Repealing federal energy tax credits would hamper deployment of low-cost clean electricity and increase the share of electricity coming from fossil fuel power plants, thus increasing electricity generation prices. Higher demand for fossil fuels raises prices for those fuels which, in turn, makes electricity generation using those fuels even costlier.

Simultaneously, repealing other incentives and existing standards, including U.S. Environmental Protection Agency and National Highway Traffic Safety Administration standards on vehicle tailpipe emissions and fuel economy would further increase energy spending.

Repealing these rules would hold back zero-emission vehicle (ZEV) sales in Rhode Island, with ZEV sales in 2030 falling from 53 percent in the Current Policies scenario to only 32 percent in the House OBBBA scenario. Internal combustion engine vehicles are more expensive to operate than ZEVs, which increases annual fuel expenditures for vehicles.

We find that new leasing provisions in the House OBBBA would increase domestic production of oil and gas, lowering prices for these fuels. We also model the impact of lower royalty rates for domestic drilling, which act as lower taxes on domestically produced fuels. While greater production and lower royalty rates decrease prices, they are more than offset by price increases from higher demand for fossil fuels. More internal combustion engine vehicles on the road increases demand for gasoline and diesel, while greater reliance on natural gas in the power sector increases natural gas prices.

Some fuels see greater price increases than others; in Rhode Island in 2035, we find a $0.27 per gallon increase in gasoline (approximately 9.4 percent), 1.1- and 2.3-percent increases in residential electricity and natural gas prices, respectively, and 1.1- and 5.5-percent increases in electricity and natural gas prices for industrial producers, respectively. We find the average Rhode Island household will spend $75 more on annual vehicle fuel alone in 2030 and $140 annually in 2035.

Due to consumers' increased reliance on more expensive fossil fuels, the EI House OBBBA scenario forecasts an increase of $0.17 billion in fuel and O&M costs in 2030, rising to $0.25 billion in 2035.

Increased capital, fuel, and operating expenses from the OBBBA would raise Rhode Island consumer energy bills, forcing households to pay more for their electricity and natural gas. The bill would increase household energy spending by an average of more than $120 per year in 2030 and nearly $180 per year in 2035. Statewide, households will foot $400 million in increased energy bills during the budget window of 2025 to 2034.

Less Manufacturing Investment And Fewer Jobs

Changes to funding and tax credits in the OBBBA will force developers to cancel a significant number of the announced clean energy manufacturing facilities while significantly delaying clean electricity deployment. The OBBBA provisions modeled would shrink GDP by more than $2.1 billion across the budget window from 2025 to 2034 in Rhode Island as clean energy manufacturing and construction projects fail.

Diminished private sector investment in Rhode Island causes significant job losses in the EI House OBBBA scenario. We find this legislation would cost Rhode Island nearly 2,000 jobs compared to the Current Policies scenario in 2030 and nearly 1,500 jobs in 2035.

This includes losing direct jobs from decreased investments in clean energy projects, indirect jobs from lower demand for the inputs to those projects, and induced jobs from lower induced economic activity (e.g., higher fuel costs mean consumers have less money to re-spend in the economy).

These numbers are likely conservative because we only explicitly model the potential cancellation of domestic battery manufacturing facilities, not other advanced manufacturing projects.

Methodology

For information on this analysis, please refer to the national methodology.

Modeling for changes in federal clean energy tax credit and other federal funding programs can be found in Appendix A. Model settings for this analysis are also available on request. Extensive documentation on the EPS model architecture and methodology is available online.