Institute for Youth in Policy

5214F Diamond Heights Blvd #3055
San Francisco, CA 94109

+1 (509) 565-0545
eic@yipinstitute.org
www.yipinstitute.org

Clean Energy Project Cuts

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I. Executive Summary

Funding cuts made by the Department of Energy to several clean energy projects demonstrated a realignment of federal policies, shifting away from renewable energy deployment toward fossil fuel dominance. The brief outlines the DOE's May termination of 24 demonstration projects totaling $3.7 billion, followed by the October 2025 cancellation of 321 awards amounting to an estimated $7.56 billion. This brief explores the economic impact of these funding cuts, particularly the significant implications for communities throughout the U.S., and the uncertainty for workers and youth preparing to enter the clean energy workforce. This abrupt withdrawal of billions of dollars in previously awarded grants gestures an instability in federal climate commitments. The brief examines the criticism surrounding the lack of detailed justification and highlights the legal challenges brought by various municipalities and environmental organizations. These lawsuits question whether the funding rescissions violated constitutional and administrative standards. To respond to these challenges, the brief explores several policy alternatives in pursuing judicial solutions and in expanding partnerships with private investors. Together, stakeholders can exercise these options to safeguard economic opportunity, environmental progress, and stable career pathways for future generations while reinforcing accountability in federal energy governance.

II. History

The United States Department of Energy (DOE) had announced major funding cuts starting in May 2025. The US Department of Energy announced the termination of 24 clean energy demonstration project awards. With the estimated project termination, this would cut $3.7 billion in funding. With the vast number of environmental projects cut, the DOE stated that the projects were unbeneficial and economically unviable for advancing the energy needs of the American people. Due to the unclear benefits, the DOE argued that projects were cut to better distribute funding to other projects with more apparent benefits. Some critics noted a lack of clear evaluation of cost-benefit analysis and of transparency in project documentation for projects where funding was cut. There were also concerns that many canceled projects had already received funding, raising questions about the legality of terminating funding. Many further warned about the impacts of cuts to clean energy projects on the development of decarbonization technologies. During October 2025, funding termination expanded. There was an increase in funding cuts, resulting in the termination of 321 financial awards supporting 223 environmental projects. The cuts are estimated to be $7.56 billion. Many environmental nonprofits and organizations have filed lawsuits; for example, the Environmental nonprofit NRDC (Natural Resources Defense Council) filed a lawsuit against DOE. Coalitions of plaintiffs, such as the City of St. Paul, Elevate Energy, the Environmental Defense Fund, the Interstate Renewable Energy Council, Plug In America, and the Southeast Community Organization, filed a lawsuit against DOE, emphasizing a constitutional violation.

III. Impact on Communities

Energy projects can reshape everyday life in a community by changing how people work, spend, and plan for the future. When a new wind, solar, or hydro facility is built, it does more than create temporary construction jobs—it can provide steady, long-term employment that keeps families in the area rather than moving away for work. As incomes rise, spending at local shops, restaurants, and service businesses increases, which strengthens the town's

economic base. Over time, the additional tax revenue or community benefit agreements tied to the project can translate into visible improvements, such as repaired roads, upgraded schools, expanded healthcare services, or new recreational facilities. Instead of relying on a single declining industry, the community gains a more diversified and stable economic foundation.

At the same time, improved energy infrastructure can make daily life more secure and affordable. A locally based renewable project can reduce dependence on distant power sources, meaning fewer outages during storms or extreme weather events. More reliable electricity supports hospitals, schools, and small businesses, while potentially lowering long-term energy costs for households. Cleaner energy generation can also reduce air pollution, thereby improving respiratory health and overall quality of life. In this way, energy projects do not simply supply power; they can strengthen community resilience, improve public health, and create a stronger sense of long-term stability for residents.

A. Youth Impact

The current cuts to clean energy projects would directly harm the physical and mental well-being of youth. By transitioning to renewable energy, the youth would have a cleaner, healthier world to live in, as the rate of environmental disasters would decrease. Specifically, the youth would have increased health risks. For instance, worsening air quality would lead to increased asthma attacks and other climate-related illnesses. Additionally, these cuts would affect mental health; many youth could have climate anxiety over future unstable environments and a "generational climate debt" that they will have to face.

The clean energy sector offers one of the biggest job growth opportunities for today's students. Current estimates from the International Labour Organization indicate that transitioning to renewables could create 24 million new jobs globally by 2030. This would be most optimal for the current high school senior class, who are the undergraduate Class of 2030, that would benefit from these ample jobs and internships. Some of these career pathways include engineering, architecture, systems analysis, project development, and policy—these and more offer pay that typically exceeds the national median. Cutting clean energy compromises these job opportunities and impacts the students already training for specialized green-collar jobs.

As K-12 schools are big contributors to negative environmental impact, sustainable clean energy projects would be impactful. These schools emit tens of metric tons of carbon dioxide annually, and implementing these energy projects on campus would help them reduce their carbon footprint while serving as a positive example for their students. Direct exposure to and learning about clean energy from a young age helps youth become more curious about the environment and more involved in local energy decisions, preparing them to be future energy leaders.

IV. Policy Problem

The Department of Energy's funding cuts have targeted existing climate projects, canceling over 345 awards and signaling a drastic shift away from the climate goals set by the Inflation Reduction Act in 2022. The grants canceled were initially awarded by the Inflation Reduction Act and the Bipartisan Infrastructure Law to clean energy projects including electric vehicle funding, hydrogen hubs, carbon capture, electric grid updates, battery plants, and methane pollution prevention. These initiatives, with continued funding, were projected to cut greenhouse gas emissions by 1,000 to 1,500 million metric tons, the equivalent of the combined annual emissions released by every home in the U.S.

Crucial backers of wind and solar energy such as the ARCHES hydrogen hub in California and Pacific Northwest hub saw over $2.2 billion in predicted funding slashed. Over $13 billion returning to the Treasury Department were allocated for this project alongside at least 5 other hydrogen hubs that were closely tied to the development of clean energy and carbon capture technologies. Out of the carbon capture technologies that were slashed, the Cane Run Generating Station in Kentucky which was cut by $72 million was projected to trap approximately 200 tons of carbon dioxide per day. Similarly, Exxon Mobil's canceled a $332 million award for an initiative designed to swap out natural gas for hydrogen at a production site in Bayton is estimated to cut 2.7 million metric tons of carbon dioxide emissions annually and around 200 tons per year of nitrogen oxide. One of the DOE's largest loan commitments which pioneered renewable energy across America, the Grain Belt Express, was also canceled, signaling a decline in renewable transportation and clean energy sources. These initiatives were crucial to reach the IRA's net-zero goal by 2050, and their loss of funding indicates climate indicators will soon be flashing red.

Beyond environmental and economic concerns, the DOE's recent actions have promoted concerns about its constitutionality, with various entities concerned about a violation of the Due Process clause of the 5th Amendment. The City of St. Paul Minnesota, Elevate Energy, Interstate Renewable Energy Council, Plug In America, the Southeast Community Organization, and Environmental Defense Fund filed a lawsuit on the grounds that the Equal Protections Clause was violated. These concerns stem from accusations that canceled projects took place mainly within states that voted for Vice President Kamala Harris in the recent presidential election. Specifically, awards were terminated in blue states such as California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New Mexico, New York, Oregon, Vermont and Washington, raising the cost of energy for all the citizens in these states, Republicans and Democrats alike.

As a result of these cuts, individual states have faced greater economic costs due to local jobs, partnerships, and supply chains being disrupted, disproportionately affecting larger states like California and Texas. Politicians are concerned about the spillover effects of this policy, calling the administration's actions "shortsighted." This is, in part, due to the rising energy costs associated with inefficient fuel resources, lost factory jobs, and stalled competitiveness in energy innovation. Industries reliant on high supplies of energy are also predicted to face shocks, such as Artificial Intelligence, which requires exorbitant amounts of energy to power its data centers. Beyond these sectors, manufacturing costs are expected to rise as a result of cuts to hydrogen and low-cost electricity. Critics are concerned that the recent cuts cement our reliance on fossil fuels, decking any climate change reversal, hampering future innovation, and dooming any chance of reaching global green energy dominance.

V. Policy Options

To address these clean energy policy cuts, there are various options for change. The options with the most potential include involving the private sector and encouraging further legislative action. In terms of private sector involvement, many clean energy projects are being carried out by private companies, partly due to the Inflation Reduction Act of 2022. This act provided funding for many private and public sector renewable energy projects, (EPA 2022). Many of these projects have already been well under way, such as California's state hydrogen project known as the Alliance for Renewable Clean Hydrogen Energy Systems, (Arches), which " governor Gavin Newsom said the private sector has committed $10bn," and could threaten 200,000 jobs (Associated Press 2025). Ensuring that privately funded projects are continued and supported would help fill some gaps created by the clean energy cuts.

Further legislative action is also a potential option. Federal courts can attempt to block further cuts or deem these cuts unlawful. A U.S. Federal court deemed the Trump Administration's clean energy grant cut as illegal since the cuts were carried out in 16 Democratic-led states while other states

continued to receive the grant money (Jenkins 2026). States may have the ability to carry out or support ongoing clean energy projects, taking it into their own jurisdiction.

VI. Conclusion

The Department of Energy's funding cuts have signified a major shift in U.S. clean energy policies. As discussed in this brief, the cancellation of hundreds of projects raised serious concerns about the legal authority to rescind previously awarded funds. This resulted in lawsuits being filed by various organizations, including the Natural Resources Defense Fund and coalitions of plaintiffs, including the City of St. Paul, to investigate administrative issues on executive authority and federal responsibility.

The brief also examines how communities that had anticipated economic revitalization through clean energy development now face halted construction, lost employment opportunities, and diminished local revenue streams. Furthermore, youth stand to experience some of the most lasting consequences. The clean energy sector expands career pathways in several fields, including engineering, public policy, and architecture, all of which are expected to grow significantly in the coming years. Funding reductions threaten future jobs and students who have been preparing to enter these professions in the clean energy sector. Beyond workforce implications, clean energy investments lower emissions and contribute to greater long-term stability. Curtailing such efforts imposes economic limitations and environmental burdens that younger generations will inherit.

Policymakers should assess the long-term trade-offs of withdrawing federal support for clean energy initiatives. Policymakers can continue to promote economic competitiveness and environmental responsibility by seeking alternative funding sources and strengthening legal accountability.

VII. Acknowledgment

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