

# Both Parties Must Act to Limit Surging Electricity Inflation

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High voltage power lines run along the electrical power grid, in West Palm Beach, Fla., in a file photo. Joe Raedle/Getty Images



By Paul Bledsoe

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## *Commentary*

Prices are surging in the [electricity sector](#), presenting new headwinds for U.S. consumers and manufacturing alike. Fortunately, Congress has several major legislative opportunities to lower electricity prices using American-made energy in coming weeks and months. But

accomplishing this will require both Republicans and Democrats to support sensible energy policies each has opposed in the past.

Growing demand from information technology and burgeoning artificial intelligence [data centers](#) along with electric vehicle growth are the main reasons U.S. electric power costs are increasing and expected to go far higher. The AI boom will double data center electricity consumption this decade, and utilities will need to [expand electricity generation](#) by up to 26 percent within four years.

Wholesale power costs are [forecast](#) to rise 7 percent this year, hurting households and manufacturers, just as data shows consumer inflation rose 2.8 percent last month. This adds to consumer and business anxiety about inflation, with a new survey finding annual inflation expectations at the [highest level almost 50 years](#).

The best way to limit new electricity inflation is to encourage production of a variety of low-cost energy sources. Right now, [tax credits](#) for investment and production of clean energy sources have enabled renewable energy to play an increasingly large role in the U.S. energy mix. This is especially true of solar power, when combined with battery storage, which allows solar to play larger role even when the sun is not shining. Last year, [solar power plus electricity storage comprised 84 percent of new capacity](#) added to the U.S. grid and more than [three-quarters of solar projects](#) now use battery storage.

But these tax incentives are now under threat from some GOP tax writers who have made them a target as part of a \$5 trillion tax cut bill Congress will consider this year. Elimination or dilution of these credits would undercut the role of advanced power technology just when its needed most. A new study by the consultancy [Energy Innovation](#) finds that repealing technology-neutral clean energy tax credits would raise “household energy bills around \$6 billion a year over the next 5 years and \$25 billion annually by 2040.”

It’s not surprising then that a group of more than [20 House Republicans](#) and a separate group of [four Republican senators](#) have written letters urging tax writing committees not to repeal these clean energy tax credits.

So far, a [combination of renewable energy and natural gas](#) is meeting new electricity demand and preventing prices from rising even faster. This is true in part because natural gas and renewable energy are synchronistic on the power grid, with new natural gas plants able to power up very quickly when renewable energy begins to flag. Both gas and renewables will need to grow as demands on the power grid increase.

But many [Democrats have opposed licensing of natural gas pipelines](#), both at the federal level and in areas including New England. This has led to higher national and regional gas prices as new infrastructure, not gas production capacity, has become the [key factor enabling greater supply and price moderation](#). Indeed, in recent weeks, [some Democrats have begun to question opposition](#) to new pipelines. U.S. gas production has also been crucial to supporting our European allies during Russia's war on Ukraine, with expanded gas production able to meet export demand [without raising domestic prices](#).

Moreover, Democrats must realize that improving natural gas infrastructure and the role of gas as the key on-demand baseload power source is crucial to U.S. electric grid reliability even as the share of intermittent renewable energy increases. The [devastating power outages crippling Spain and Portugal](#) this week stand as stark reminder that U.S. must guard against compromising reliability.

As part of energy permitting reform legislation by Congress to be considered this summer, Democrats should support reasonable expansion of natural gas pipelines which can also limit leaks of methane emissions. At the same time, Republicans should support measures to expedite more rapid permitting and building of new interstate powerlines, so that low-cost renewable energy can reach distant markets. Finally, the tech sector itself must continue to make investments in expanded electricity production, supporting federal actions that limit the inflationary impact of their new data centers while using AI to improve grid system efficiency.

Both parties have major vulnerabilities on inflation right now. Democrats lost the 2024 election in large part due to high inflation during the Biden's years in response to the pandemic. Republicans now face voter concerns about rising costs due to new tariffs. Both have strong policy and political incentives to act.

Equally, cheaper electricity is [crucial to expanding Americas manufacturing sector](#) and making America more competitive, objectives both parties claim to ardently favor. Supporting additional energy production is crucial to these goals. If either party fails to do so, they can rightly blame for higher electricity prices and less manufacturing come the next election. Instead, Republicans and Democrats together should take steps to expand energy production, limit household utility bills and encourage more manufacturing.

*From [RealClearWire](#)*

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