U.S. House Committee on Energy and Commerce
Subcommittee on Energy Hearing
"The Fiscal Year 2026 Department of Energy Budget"
Documents for the Record
June 10, 2025

1. A fact sheet from the American Council for an Energy-Efficient Economy entitled, "The Industrial Demonstrations Program is Essential for American Competitiveness," submitted by Rep. Castor.
2. A letter from 33 organizations in consumer products, manufacturing, real estate, and retail sectors in support of the ENERGY STAR program, addressed to Chairman Guthrie and Ranking Member Pallone, submitted by Rep. Castor.
3. A New York Times article entitled, "Coal and Gas Plants Were Closing. Then Trump Ordered Them to Keep Running." submitted by Rep. Pallone.
4. A Washington Post article entitled, "Trump is Forcing this Dirty, Costly Coal Plant to Stay Open," submitted by Rep. Pallone.
5. A letter from Henry Dargan McMaster, Governor of South Carolina, to Members of Congress, submitted by Rep. Pallone.
6. A letter from Mike Braun, Governor of Indiana, addressed to Chairman Guthrie, submitted by the Minority.
7. A fact sheet from the Appliance Standards Awareness Project entitled, "Proposed Rollbacks of Efficiency Standards Would Cost Consumers $43 Billion," submitted by Rep. Tonko.
8. A report from the Dallas Fed Energy Survey entitled, "Oil and Gas Activity Edges Higher; Uncertainty Rising, Costs Increase," submitted by Rep. Ocasio Cortez.
9. A May 5, 2025 letter to stockholders issued by Diamondback Energy, Inc., submitted by Rep. Ocasio-Cortez.
10. An article from the Tampa Bay Times entitled, "Florida Electric Bills Skyrockets Recently. Here's Why.", submitted by Rep. Castor.
11. An article from the Tampa Bay Times entitled, "Florida Power & Light Seeks $9B rate hike with high shareholder profit.", submitted by Rep. Castor.
12. An article from Food and Water Watch entitled, Florida Power & Light Requests Largest Rate Increase in U.S. History.", submitted by Rep. Castor.
13. An article from the New York Times entitled, Get Ready for Another Energy Price Spike: High Electricity Bills." Submitted by Rep. Castor.

The Industrial Demonstrations Program is Essential for American Competitiveness

MARCH 2025

SUMMARY: The Industrial Demonstrations Program (IDP) supports **29 first-of-a-kind projects** that are accelerating the adoption of **new, more competitive technologies** in cement, iron & steel, aluminum, chemicals, and other sectors. Many U.S. plants are decades old and do not have the advanced processes necessary to compete with newer foreign facilities. The IDP is a key step to transform our industrial facilities, strengthen national security, and bring **over $14 billion in private investment** to communities in over 20 states.

Aging U.S. industrial facilities need to modernize to stay competitive

A major roadblock to the U.S. industrial sector's competitiveness is a reliance on older facilities that are based on decades-old technologies[1]. Too often, new industrial technologies are developed in our National Labs and universities but then considered too high-risk and expensive for incumbent industry to (1) invest in and (2) retrofit their facilities to deploy these technologies.[2] Instead, these technologies are sometimes adopted by overseas competitors, leaving the U.S. behind.[3]

The IDP will help bring innovative manufacturing technologies to the United States

The IDP provides $6 billion in federal funding to support U.S. industrial firms willing to be first-movers in eight industrial focus areas: aluminum; chemicals & refining; concrete & cement; food & beverage; glass; iron & steel; process heat; and pulp & paper (Table 1). The firms will provide $14 billion in private investment, making the federal share about 30%. These projects advance efficiency, reduce industrial pollution, and keep our domestic industrial facilities competitive with companies around the world given emerging regulations like the EU's emissions-based trade adjustment[4] and corporate preference for lower-emission products.

Foreign companies are investing in many of these technologies and often are ahead of the United States[5]—the IDP helps American firms compete. Critically, these selected industrial facilities won't exist in a vacuum. The materials these sites produce are part of a supply chain that builds our country's roads and bridges, buildings, electrical grid, cars, and other essentials of daily life.

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[1] The U.S. has some of the oldest steel facilities in the world. https://www.iea.org/data-and-statistics/charts/age-profile-of-global-production-capacity-for-the-steel-sector-blast-furnaces-and-dri-furnaces

[2] The so-called "Valley of Death" to bring technology to market. https://www.energy.gov/eere/buildings/technology-market

[3] For example, Europe's chemical sector is pursuing a variety of new technologies: https://cefic.org/low-carbon-projects-map/

[4] The EU's Carbon Border Adjustment Mechanism (CBAM) currently applies to cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

[5] For example, the E.U. has many electric process heat technologies installed across industrial subsectors: https://waermepumpe-izw.de/karte-europa

Initially, companies proposed 411 projects to the IDP, representing $100 billion in private cost share.[6] The program's oversubscription indicates the challenges of deploying these new technologies, illustrating why the Department of Energy's industrial programs —like the IDP—are so important.

Table 1. Technologies currently under development through the IDP

Sector	Technology
Aluminum	Clean aluminum smelting, advanced scrap recycling, new and improved process efficiencies, zero-waste salt slag recycling
Chemicals & Refining	Carbon capture, utilization, and storage (CCUS), thermal batteries, chemical recycling, hydrogen-fired process heat, e-methanol production, alternative feedstocks
Concrete & Cement	Limestone calcined clay cement, biomass as fuel, carbon sequestration, electrochemical cement production, calcium silicate rocks, and alternative production methods
Food & Beverage	Industrial heat pumps, electric heaters and boilers, thermal batteries, new and improved process efficiencies
Glass	Hybrid electric furnaces, new and improved process efficiencies
Iron & Steel	Induction melting furnaces, first-of-its-kind iron ore briquette production, hydrogen-ready direct reduced iron (DRI) plants
Process Heat	Energy storage, heat-as-a-service, electric boilers
Pulp & Paper	Advanced separation membranes

[6] OCED, Industrial Demonstrations Program Update. https://netl.doe.gov/sites/default/files/netl-file/23CLD_Leong.pdf

The IDP brings jobs to American communities

The IDP awardees are spread across the country in 20 states, with a few still determining their final location. In total, the projects plan to provide thousands of well-paying jobs, help rebuild communities that were left behind by industrial offshoring in the past decades and position these updated facilities to operate for the decades to come.[7]

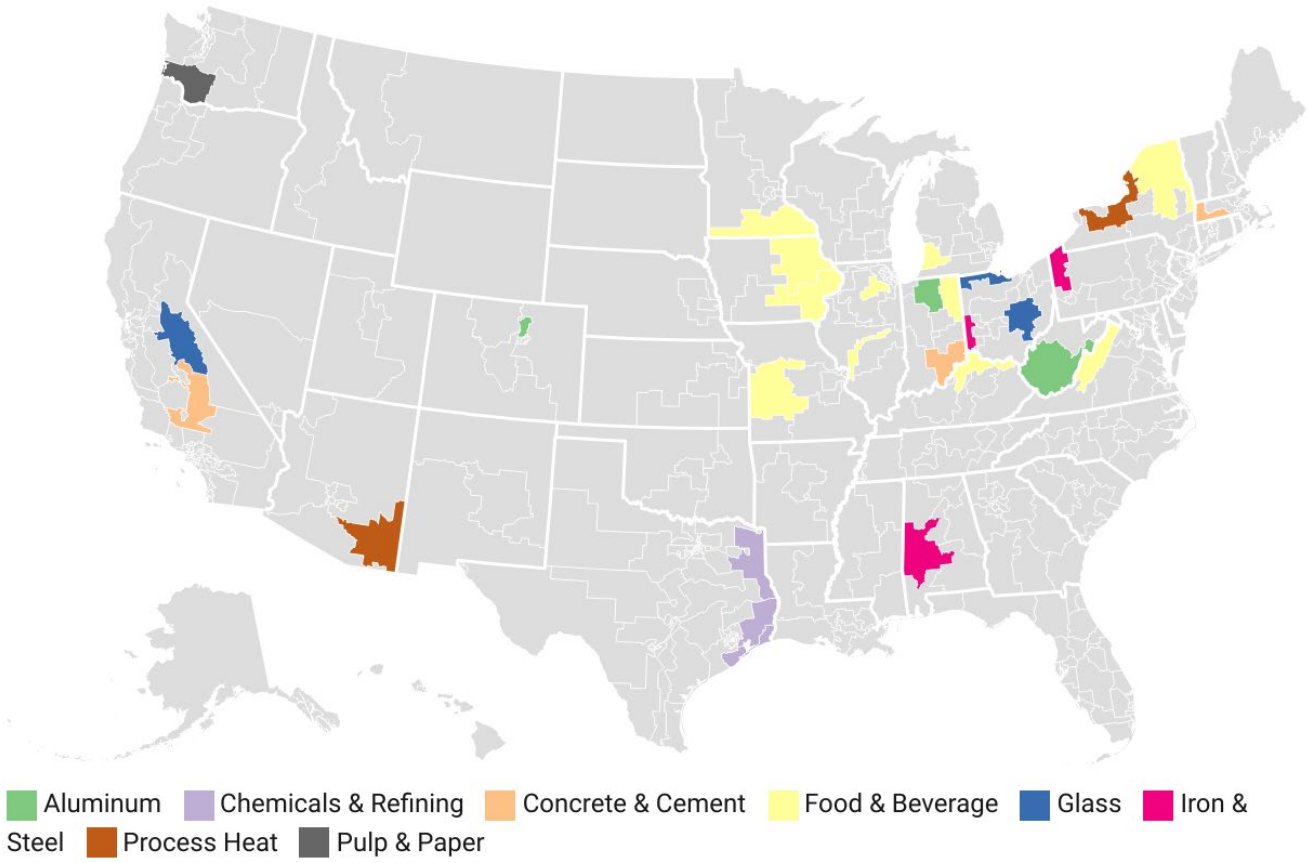


Figure 1. Congressional Districts hosting IDP projects. Awarded projects without an exact location are not included in this map. Of those projects, Dow, Orsted, Technip Energies, and Vale USA have all indicated that their projects will be located on the Gulf Coast. Century Aluminum and Brimstone have not yet indicated where their projects will be located.

For more information contact: Alexander Ratner (aratner@aceee.org) and Archie Fraser (afraser@aceee.org)

[7] As part of the award announcements, each project released a factsheet detailing expected job creation and community impact.

Appendix

Awarded IDP Project List

The listed award amounts are for the full federal award, which may be split in cases where the project takes place in multiple locations, as in the case of Kraft Heinz. In addition, the total capital investment of each project is significantly greater than the federal share. Over $14 billion in private sector investment is paired with the $6 billion in total federal funding. Project specifics, including location, could change as the program is implemented. Job creation estimates are those publicly shared in DOE-released project factsheets.

Location	Project	Sector	Awardee	Award (in millions)	Job Creation	Demonstration Technology
AL-07	Induction Melting Upgrade	Iron & Steel	AMERICAN Cast Iron Pipe Company	75	80–100 permanent	Induction heating
AL-07	Iron Electric Induction Conversion	Iron & Steel	United States Pipe and Foundry Company	75.5	220 construction, up-skilling 36	Induction heating
AZ-06	Vikrell Electric Boiler & Microgrid System	Process Heat	Kohler Co.	51.2	Not available	Electric boilers, microgrid
CA-05	Hybrid Electric Glass Furnace Project	Glass	Gallo Glass Company	75	Not available	Hybrid-electric furnace
CA-20	Lebec Net Zero Cement Plant Project	Concrete & Cement	National Cement Company of California, Inc.	500	20–25 permanent	Low-carbon cement, biomass, carbon sequestration
CO-08	Nexcast: Next Generation Aluminum Mini Mill	Aluminum	Golden Aluminum	22.3	Not available	Nexcast aluminum production
Gulf Coast	Novel CO2 Utilization for Electric Vehicle Battery Chemical Production	Chemicals & Refining	Dow	95	50 permanent, 600 construction	Carbon capture and utilization, batteries
Gulf Coast	Star e-Methanol	Chemicals & Refining	Orsted P2X US Holding LLC	100	50 permanent, 300 construction	Carbon capture and utilization, e-methanol
Gulf Coast	Sustainable Ethylene from CO2 Utilization with Renewable Energy	Chemicals & Refining	Technip Energies USA, Inc.	200	40 permanent, 200 construction	Carbon capture and utilization
Gulf Coast	Low-Emissions, Cold-Agglomerated Iron Ore Briquette Production	Iron & Steel	Vale USA	282.9	150 permanent, several hundred construction	First-of-its-kind iron ore briquette production

Location	Project	Sector	Awardee	Award (in millions)	Job Creation	Demonstration Technology
IA-01	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
IA-02	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
IL-13	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
IL-14	Heat Batteries for Deep Decarbonization of the Beverage Industry	Food & Beverage	Diageo Americas Supply, Inc.	75	100 construction	Heat batteries, electric boilers
IN-02	Zero Waste Advanced Aluminum Recycling	Aluminum	Real Alloy Recycling	67.3	9 permanent, 100 construction	Zero-waste salt slag recycling facility
IN-03	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
IN-09	Mitchell Cement Plant Decarbonization Project	Concrete & Cement	Heidelberg Materials US, Inc.	500	20–25 permanent, 1,000 construction	Carbon capture and sequestration
KY-04	Advanced Copper Recycling Facility	Aluminum	Wieland North America Recycling	270	130 permanent	Copper scrap metal processing
KY-04	Heat Batteries for Deep Decarbonization of the Beverage Industry	Food & Beverage	Diageo Americas Supply, Inc.	75	100 construction	Heat batteries, electric boilers
MA-01	First Commercial Electrochemical Cement Manufacturing	Concrete & Cement	Sublime Systems, Inc.	86.9	70–90 permanent	Electrochemical cement
MI-04	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers

Location	Project	Sector	Awardee	Award (in millions)	Job Creation	Demonstration Technology
MN-01	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
MO-04	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
NY-21	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
NY-24	Steam-Generating Heat Pumps for Cross-Sector Deep Decarbonization	Process Heat	Skyven	145	Not available	Heat-as-a-service
OH-08	Hydrogen-Ready Direct Reduced Iron Plant and Electric Melting Furnace Installation	Iron & Steel	Cleveland-Cliffs Steel Corporation	500	170 permanent, 2,500 existing, 1,200 construction	Hydrogen direct reduction iron (DRI)
OH-09	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
OH-09	Flexible Fuel Electric Hybrid Glass Furnace Demonstration	Glass	Libbey Glass	45.1	268 construction	Hybrid-electric furnace
OH-12	Glass Furnace Decarbonization Technology	Glass	O-I Glass, INC	56.6	250–300 construction	Advanced glass furnace
PA-16	Steel Slab Electrified Induction Reheat Furnace Upgrade	Iron & Steel	Cleveland-Cliffs Steel Corporation	75	1,000 existing at Butler Works, 160 existing at Zanesville, 200 construction	Induction heating
TX-01	Polyethylene Terephthalate Recycling Decarbonization Project	Chemicals & Refining	Eastman Chemical Company	375	200 permanent, 1,000 construction	Advanced recycling
TX-14	Syngas Production from Recycled Chemical Byproduct Streams	Chemicals & Refining	BASF Corporation	75	Not available	Advanced recycling

Location	Project	Sector	Awardee	Award (in millions)	Job Creation	Demonstration Technology
TX-36	Baytown Olefins Plant Carbon Reduction Project	Chemicals & Refining	ExxonMobil Corporation	331.9	300 construction, up-skilling 140	Hydrogen-fired heating
VA-06	Calcined Clay Production for Limestone Calcined Clay Cement	Concrete & Cement	Roanoke Cement Company, LLC	61.7	25 permanent, 115 construction	Limestone calcined clay cement
VA-06	Delicious Decarbonization Through Integrated Electrification and Energy Storage	Food & Beverage	Kraft Heinz	170.9	Not available	Heat pumps, electric heaters, and electric boilers
WA-03	Decarbonization of Black Liquor Concentration through Energy Efficient Membrane Separation	Pulp & Paper	Nippon Dynawave Packaging Co. LLC	46.6	Not available	Energy efficient membrane separation
WV-01	Low Carbon SmartMelt Furnace Conversion	Aluminum	Constellium	75	Not available	Zero carbon aluminum casting center
TBD	Green Aluminum Smelter	Aluminum	Century	500	1,000 permanent, 5,500 construction	Clean aluminum smelter
TBD	Deeply Decarbonized Cement	Concrete & Cement	Brimstone	189	100 permanent, 450 construction	Calcium silicate rocks and alternative industrial production methods

U.S. Consumer Products, Manufacturing, Real Estate, and Retail Sectors Strongly Support the ENERGY STAR Program

June 6, 2025

The Honorable Mike Lee, Chairman
The Honorable Martin Heinrich, Ranking Member
Committee on Energy and Natural Resources
U.S. Senate

The Honorable Brett Guthrie, Chair
The Honorable Frank Pallone, Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives

The Honorable Shelley Moore Capito, Chairman
The Honorable Sheldon Whitehouse, Ranking Member
Committee on Environment and Public Works
U.S. Senate

Dear Chairmen and Ranking Members:

On behalf of the consumer products, manufacturing, real estate, and retail sectors, the undersigned organizations **strongly support continuation of the non-regulatory and non-partisan ENERGY STAR program within the federal government.**

Our industries are engines of the U.S. economy. Manufacturers of consumer and other goods contributed $2.94 trillion at the annual rate to the U.S. economy in Q4 2024 alone. The consumer technology industry projects record retail revenues and 3.2% growth ($537 billion) from 2024 to 2025. The value of America's commercial real estate is estimated at $22.5 trillion, or about 44% of the market capitalization of all U.S. publicly traded companies. Housing's combined contribution to GDP generally averages 15%-18%. The value of new residential construction alone was about $1.1 trillion in the second quarter of 2024, approximately 4% of U.S. GDP. Retail is the nation's largest private-sector employer, contributing $5.3 trillion to annual GDP.

We create tens of millions of American jobs. Retail supports one in four U.S. jobs — 55 million working Americans. U.S. consumer technology supports more than 18 million U.S. jobs. Real estate supports over 14 million direct U.S. jobs. There were nearly 13 million manufacturing workers in April 2025.

ENERGY STAR has saved families and businesses hundreds of billions of dollars on energy costs since its inception – equating to $40 billion in annual savings per year to U.S. households, a significant return on investment for U.S. taxpayers. It has achieved massive costs savings and avoided energy waste by delivering highly efficient products for America's consumers, homes for America's families, and commercial buildings for America's businesses.

ENERGY STAR is a key element of an "all of the above" national energy strategy that has received overwhelmingly bipartisan support down the years. Electricity saved by ENERGY STAR helps free-up space on the grid needed so the U.S. can lead the world to power and grow artificial intelligence, support the burgeoning crypto asset industry, and bring more manufacturing plants back to our shores. ENERGY STAR reduces Americans' energy bills, a clear priority across party lines.

U.S. Consumer Products, Manufacturing, Real Estate, and Retail Sectors Strongly Support the ENERGY STAR Program

ENERGY STAR is an excellent example of a non-regulatory partnership between the government and private sector. 90% of households recognize the blue ENERGY STAR label, a remarkable level of brand awareness. It is a symbol of consumer trust built over 30+ years that should remain a federal government asset.

Importantly, clear legislative authorization[1] backs ENERGY STAR as a voluntary public-private partnership run by the federal government. We respectfully request that ENERGY STAR not be supplanted by non-governmental efforts that could significantly alter and overly complicate the program – and undermine its primary, bipartisan goals to support innovations in energy efficient products, buildings, and plants.

The manufacturing, consumer goods and technologies, real estate, and retail sectors urge Congress to devote the necessary resources so ENERGY STAR continues to thrive as a federal government program – and deliver compelling returns on taxpayers' investments.

Air-Conditioning, Heating and Refrigeration Institute (AHRI)

American Bakers Association

American Chemistry Council

American Lighting Association

Association of Home Appliance Manufacturers

Building Owners and Managers Association (BOMA) International

Cellulose Insulation Manufacturers Association

Consumer Technology Association

EPS Industry Alliance

Home Innovation Research Labs

ICSC

Illuminating Engineering Society

[1] 42 U.S.C. § 6294a (The ENERGY STAR program "**is established** within the Department of Energy and the Environmental Protection Agency ….") (enacted in 2005). Dozens of other provisions in the U.S. Code refer to ENERGY STAR as "established" at § 6294a. As illustrative, see, e.g.; 15 U.S.C. § 657h (requiring EPA to develop and coordinate a government-wide "ENERGY STAR for Small Business program"); 26 U.S.C. § 45L (new energy efficient homes eligible for tax credit if they are ENERGY STAR certified); 42 U.S.C. § 8295(b) (federal procurement of ENERGY STAR products); 42 U.S.C. § 15821 (residential rebate program for ENERGY STAR products); 42 U.S.C. § 17085 (energy efficient commercial tenant leased space program established within the ENERGY STAR program); 42 U.S.C. § 17112 (DOE and EPA shall consider data center energy efficiency best practices for use by the ENERGY STAR program). See also US Government Accountability Office, GAO-11-888, *ENERGY STAR: Providing Opportunities for Additional Review of EPA's Decisions Could Strengthen the Program* (Sept. 2011) ("In the Energy Policy Act of 2005, Congress **formally authorized** the Energy Star program to identify and promote energy-efficient products and buildings."

U.S. Consumer Products, Manufacturing, Real Estate, and Retail Sectors Strongly Support the ENERGY STAR Program

Information Technology Industry Council (ITI)

Insulation Contractors Association of America (ICAA)

Leading Builders of America

NAIOP, the Commercial Real Estate Development Association

Nareit

National Apartment Association

National Association of Electrical Distributors (NAED)

National Association of Home Builders

National Association of Manufacturers

National Electrical Manufacturers Association (NEMA)

National Insulation Association

National Multifamily Housing Council

National Retail Federation

North American Insulation Manufacturers Association

PIMA -- Polyisocyanurate Insulation Manufacturers Association

Pool and Hot Tub Alliance

Retail Industry Leaders Association

Spray Foam Coalition

Spray Polyurethane Foam Alliance

Real Estate Board of New York (REBNY)

The Real Estate Roundtable

Cc: The Honorable Chris Wright, Secretary, U.S. Department of Energy
The Honorable Lee Zeldin, Administrator, U.S. Environmental Protection Agency

Coal and Gas Plants Were Closing. Then Trump Ordered Them to Keep Running.

The grid operators that draw power from the plants said they never asked for them to remain open, and consumers may have to absorb extra costs.

By Claire Brown and Harry Stevens
June 6, 2025

A 63-year-old coal-fired power plant was scheduled to permanently close its doors in Michigan on June 1. So was an oil- and gas-powered plant that was built in the 1960s in Pennsylvania.

But at the last minute, the Trump administration ordered both to stay open. The orders came as it pursues a far-reaching plan to boost fossil fuels, including coal, by declaring a national "energy emergency."

The grid operators in Michigan and Pennsylvania said they hadn't asked for the orders and hadn't planned on using the plants this summer.

The costs to keep the plants open, which could total tens of millions of dollars, are expected to fall on consumers. Experts have said there's little evidence of a national energy emergency, and 15 states have sued to challenge President Trump's declaration, which was issued the day he took office.

The emergency orders, which came last month, surprised the companies that operate the plants, and they are now scrambling to delay some workers' retirements and reverse nearly complete plans to shutter their facilities. In Michigan, the plant operator raced to buy enough coal to power operations.

The episode marks a highly unusual use of the Energy Department's emergency powers under the Federal Power Act. In the past, the department has typically issued emergency orders at the request of regional grid operators to stabilize the power supply during extreme weather events and blackouts.

Dan Scripps, chair of the Michigan Public Service Commission, said he estimated that the 90-day order to keep the coal plant open would cost ratepayers tens of millions of dollars.

"What was surprising about this order is that nobody was asking for it," he said. "The grid operator wasn't asking for this plant to be kept online. The utility that owns and operates the plant wasn't asking for the plant to be kept online, the state wasn't asking for the plant to be kept online."

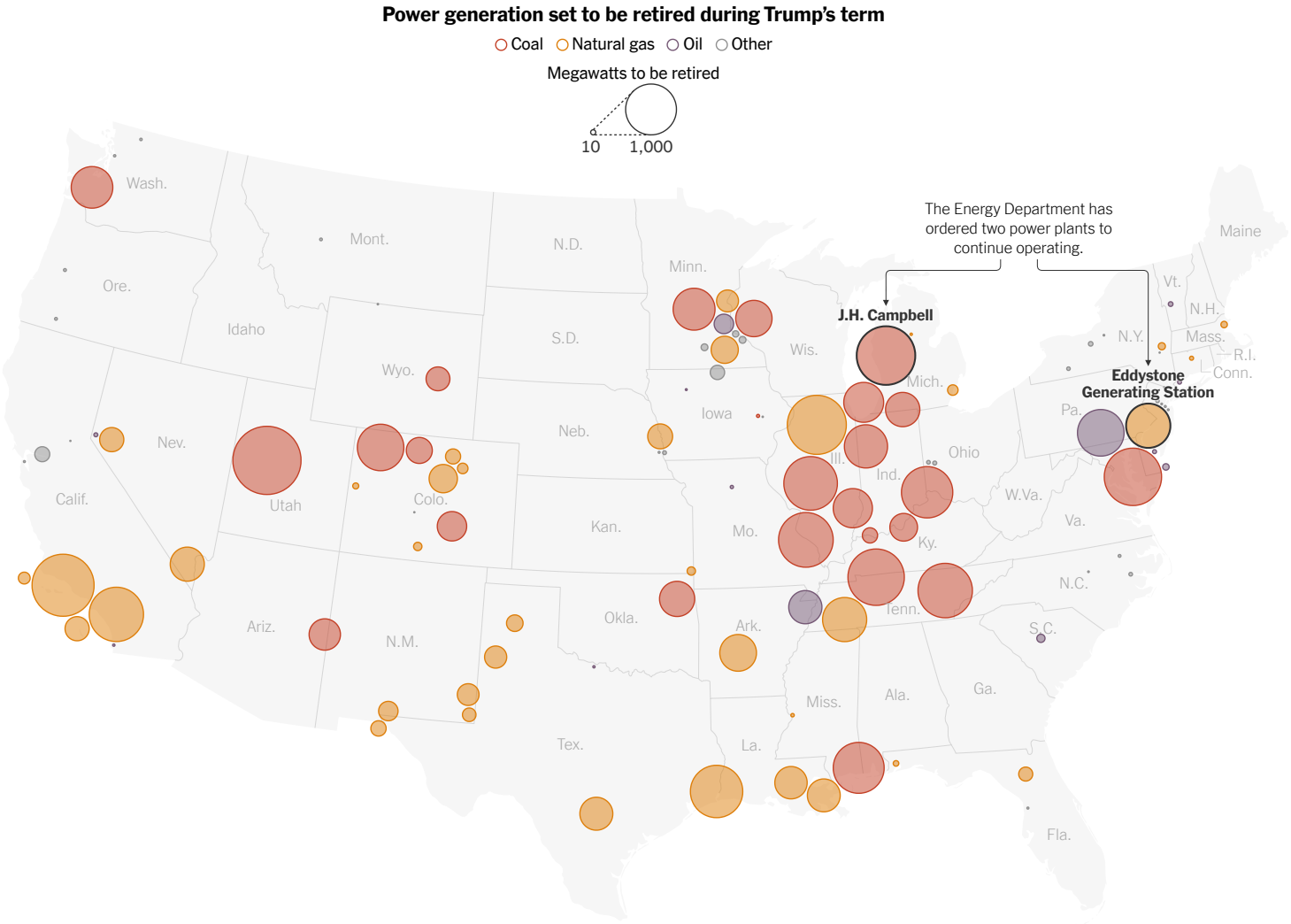
Dana Nessel, Michigan's attorney general, a Democrat, said she was "certainly considering" challenging the order affecting the coal plant in her state.

"We think this is par for the course with the Trump administration," Ms. Nessel said. "They're abusing emergency authorities and really manufacturing an emergency that doesn't exist, in a way that's really unprecedented."

Public Citizen, a consumer advocacy organization, also plans to challenge the orders, according to Tyson Slocum, the group's energy program director.

In a statement, Ben Dietderich, a spokesman for the Department of Energy, said the department under Mr. Trump was "ensuring Americans have access to all forms of reliable energy, including coal" and that the administration was committed to ensuring access to "reliable, affordable, and secure energy that isn't dependent on whether the sun shines or the wind blows."

The Energy Department did not respond to a request for comment.



Source: U.S. Energy Information Administration • Note: "Other" includes batteries, biomass, hydroelectric, solar, waste, and wind.

Consumers Energy, which runs the J.H. Campbell coal-fired power plant in Michigan, learned about the emergency order on the Friday evening before Memorial Day, just before the announcement was made public, the company's spokesman Brian Wheeler said. In a statement, Consumers Energy said it planned to comply.

The plant was just one week away from closing. The order prompted a rush to replenish the giant coal pile that feeds the plant, which had dwindled ahead of the planned closure. Coal is the dirtiest of the fossil fuels in terms of planet-warming pollution.

A week later, near Philadelphia, the oil- and gas-powered Eddystone plant was one day away from closing when it received similar news. In order to keep the affected units available, Constellation Energy, the facility's parent company, is "currently focused on securing the staff and performing the maintenance necessary," a spokesman said.

In its official order, the Energy Department cited projections showing potential summertime electricity generation shortfalls as the basis for the emergency action. Electricity demand is typically higher during the summer when temperatures rise and people use air-conditioning. Overall electricity demand is projected to increase because of data center construction and the adoption of electric vehicles.

All told, 108 plants with a combined capacity of 31.5 gigawatts are set to be retired by the end of Mr. Trump's term. That list includes 25 coal plants with a combined capacity of 18.2 gigawatts. One gigawatt is roughly enough to power the city of San Francisco.

In an April executive order, Mr. Trump directed the Energy Department to develop a process for using emergency powers to prevent coal plants from shutting down. It's not clear whether such a process informed the Michigan order.

Near Philadelphia, the oil- and gas-powered Eddystone plant was one day away from closing when it received news of the emergency order to stay open. Matt Rourke/Associated Press

Mr. Trump attempted something similar during his first term, but the idea faced fierce opposition from grid operators, power companies and consumers, and the White House eventually backed down.

The April order was one in a wave of executive actions aimed at reviving the coal industry by slashing regulations and opening more land for mining, among other things. Coal use in the United States has been declining for more than a decade, and coal plants now produce less than a fifth of the nation's power.

Despite Mr. Trump's vocal support of coal during his first administration, the period saw more coal capacity retired than the Biden era did. Research has shown that it costs more to operate most coal plants than it would to build wind and solar power replacements.

Thirty power plants with a combined capacity of 12.2 gigawatts are scheduled to retire just this year. Of those facilities, 10 are coal plants with a combined capacity of 7.7 gigawatts. Another 12 plants set to retire this year are powered by natural gas or oil.

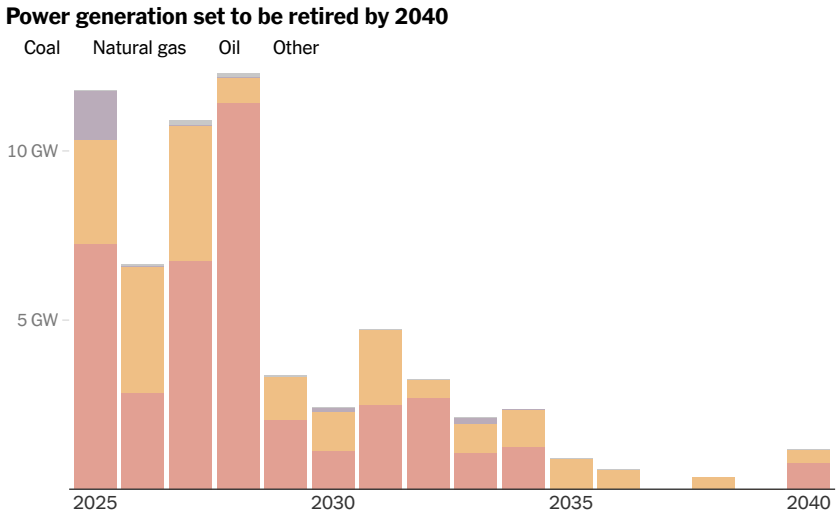
These facilities are generally being replaced with renewables, but grid operators have raised concerns that new sources of energy are not coming online fast enough to meet supply shortfalls left by retiring plants.

Companies that generate power typically work with grid operators, often years in advance, to ensure that a planned retirement will not increase the risk of blackouts or other power failures.

Grid operators have broad power to reverse or delay planned retirements if they forecast an electricity generation shortfall. Because of electricity reliability concerns, PJM Interconnection, a grid operator affected by the Energy Department's emergency orders in May, separately called on two power plants that burn oil and coal to stay open four years past their retirement dates this year.

Because the Michigan and Pennsylvania plants were set to close at the end of May, keeping these plants open will involve spending money on maintenance, staff and supplies, and these additional costs are expected to be borne by consumers through higher bills.

In Michigan, Consumers Energy rushed to buy more coal. The plant uses 15,000 tons of coal per day bought from Wyoming and Montana. And then there were other costs: Employees who had planned to retire or transfer were suddenly needed for at least another three months.



Source: U.S. Energy Information Administration

A spokesman for the Midcontinent Independent System Operator, which operates the grid in Michigan, said that it expected to have sufficient capacity to serve projected summer demand. However, extreme weather and "overall tighter conditions" may force it to use emergency procedures, like asking people to conserve energy or buying power from other grids, according to the operator.

In Pennsylvania, PJM Interconnection issued a statement welcoming the emergency order. The operator found that it had adequate reserves for the summer but may run into trouble in an extreme scenario.

The Energy Department's orders keep the power plants open for 90 days, the maximum allowable under the Federal Power Act. Under the law, the federal government can temporarily exercise controls over the electricity system during emergencies, and orders can be extended.

The Energy Department has issued several dozen emergency orders since 1935. These orders have typically come in response to acute weather emergencies, like extreme heat, hurricanes, wildfires and extreme cold.

In May, the Trump administration issued three such orders: Two kept fossil fuel power plants open past their retirement dates, and a third added more fossil fuel generation to Puerto Rico's ailing grid.

Claire Brown covers climate change for The Times and writes for the Climate Forward newsletter.

Harry Stevens is a Times reporter and graphics editor covering climate change, energy and the natural world.

A version of this article appears in print on , Section A, Page 10 of the New York edition with the headline: A Costly Order For Fuel Plants To Stay Open

Democracy Dies in Darkness

Trump is forcing this dirty, costly coal plant to stay open

The administration blocked an electricity plant in Michigan from closing, overturning a plan by a utility and local officials.

June 1, 2025

By Evan Halper and Jake Spring

An emergency order last month from Washington rattled Michigan regulators: The Trump administration reversed the state's plan to retire an aging power plant, forcing it to remain open and continue burning coal.

Michigan and the plant's operator have mounds of evidence that closing the 63-year-old J.H. Campbell plant on the eastern shore of Lake Michigan won't create a shortage of electricity. But the Trump administration adopted a different view, claiming the Midwest is overly dependent on intermittent wind and solar power. Energy Secretary Chris Wright exercised rarely used federal authority to block the closure, which had been scheduled for May 31. His order requires the plant to continue operating for three more months — and possibly longer.

The move will collectively increase electric bills for ratepayers in the Midwest by tens of millions of dollars, according to Michigan officials. More broadly, it was seen as an opening salvo in President Donald Trump's effort to reverse America's transition to clean energy and restore the nation's dependence on burning fossil fuels. The administration's strategy includes using federal power to overturn the plans of local utilities and regulators.

"It came as a surprise to everybody, and it was baffling why they chose this plant," said Dan Scripps, chair of the Michigan Public Service Commission, which regulates utilities. "Nobody asked for this order. The power grid operator did not. The utility that owns the plant did not. The state regulator did not."

Trump attempted to unravel state-level zero-emissions goals in his first term with little to show for it. This time around, his strategy, guided in part by Project 2025, is more far-reaching, based on federal mandates and an expansive vision for what types of energy should be prioritized on regional electrical grids.

The White House claims that the intermittent nature of solar and wind generation will lead to energy shortages and fail to meet the surging electricity demands of artificial intelligence.

Experts said they could not recall another case in history when an administration unilaterally ordered the extension of a power plant's service without being asked by the owner or state officials.

The administration has already laid the groundwork for the Michigan order to be followed by other such emergency orders in other states in the coming months. Late on Friday, Wright used the authority to halt the long-planned retirement of the Eddystone Generating Station near Philadelphia, a 1960s-era power plant that burns gas and fuel oil. Trump allies in individual state legislatures, meanwhile, are introducing local laws that would prioritize electricity from fossil fuels on power grids.

"This administration is committed to ensuring Americans have access to reliable, affordable, and secure energy that isn't dependent on whether the sun shines or the wind blows," the Energy Department said in a statement to The Washington Post.

The administration's view that renewable energy destabilizes energy supplies is disputed by many experts, who say batteries and enhanced distribution systems allow power grids to thrive on wind and solar energy.

"The view that we need to prioritize these traditional resources is stuck in the past," said Ari Peskoe, director of the Electricity Law Initiative at Harvard Law School. "The cost of falling back on this kind of techno-pessimism is you lose momentum to build a more modern grid. Instead, you are doubling down on plants that need to be replaced because they are dirty and expensive."

Michigan's Campbell plant, according to the Sierra Club, is the largest source of greenhouse gas and local air pollution in western Michigan. It opened in 1962 and at one point was planned to run until as late as 2040. But plant owner Consumers Energy opted to close it this year as part of a 2022 settlement with the community and its broader plan to transition off coal altogether. Scripps said economics were a major driver in the early retirement, as the utility can generate energy more cheaply from gas, wind and solar.

Wright's emergency order keeps the plant open three months, the maximum amount of time the law allows. But he has the option of issuing new three-month orders each time one expires. Some lawmakers in Michigan are expecting exactly that. Trump, in an April executive action, directed Wright to issue such orders or take any other action necessary to keep open many large fossil plants scheduled for closure if the energy they generate is being replaced by wind or solar power.

Some local lawmakers are supporters of the federal intervention. "I hope it stays open for more than just a few months," Republican Michigan state Rep. Luke Meerman said of the Campbell plant. He signed an April 30 letter with colleagues urging the administration to keep it open. "Given it has a lifespan out to 2040, it seems premature and a waste of resources to shut it down."

The interventions in local power supplies dovetail with other steps. The administration aims to largely eliminate climate change as a consideration in any power grid planning, potentially resulting in the release of massive amounts of greenhouse gas into the atmosphere. The Energy Department also has taken control from independent regulators and grid operators the job of drafting of certain power grid supply rules. The White House has ordered the department to develop new formulas that could bump wind and solar projects to the back of the line.

"Technologies like battery energy storage that enhance grid operations but do not fit into that myopic definition of reliability likely won't get the same access," said Aaron Zubaty, CEO of Eolian, a large clean energy developer.

Declaring state and municipal clean energy goals “burdensome and ideologically motivated” in an April order, Trump directed the Justice Department to lay the groundwork for legal action against as many as 25 states that have adopted them.

“There has been this bias for years against fossil energy that has gotten us into a dangerous situation with a weakened grid,” said Diana Furchtgott-Roth, director of the Center for Energy, Climate and Environment at the conservative Heritage Foundation. “It needs to be rectified.”

The administration plans for reshaping how the United States generates electricity mirrors elements of the Heritage-led Project 2025 blueprint for remaking government. Project 2025 includes detailed plans for invoking emergency powers to reorient the electricity system toward fossil fuels and usurping authority from grid operators and state regulators, whose job it is to avoid blackouts and spikes in prices.

The policies are driven by a conservative backlash against Obama- and Biden-era rules that conservatives argue distorted free markets at the expense of fossil fuels, said Brent Bennett, director of the energy policy team at the Texas Public Policy Foundation, a conservative think tank aligned with Trump. “It’s kind of become an ideological battle,” he said.

That battle is also playing out on the state level in places such as Nebraska, which passed a law last year requiring that any gas, coal or nuclear power plant that is retired be replaced by plants that can provide an equal amount of around-the-clock electricity. Utah and Wyoming also passed laws in 2024 that aggressively prioritize such “dispatchable” electricity over intermittent sources like wind and solar.

Texas is requiring that all new wind and solar connected to the power grid starting in 2027 be paired with other resources that can backstop it. A measure that would prohibit developers from using battery storage systems as the backup passed the state Senate this year.

The administration justified the Campbell plant order by pointing to a report from the North American Electric Reliability Corporation, or NERC, a quasi-government agency focused on keeping the power grid from buckling, that warns the Midwest is facing a power crunch this summer. NERC officials said they welcomed the administration’s move.

But back in Michigan, regulators warn it will merely raise bills without making the system any more stable. Consumers Energy said in an email to The Post that it will comply with the administration’s order and it can secure the coal needed to keep the plant operational. But that could prove a challenge amid reports that contracts for coal and the railcars to the plant have expired. Regulators say several employees who run the plant have already moved on to jobs elsewhere or opted for early retirement packages.

“This is just bad policy,” said Howard Learner, CEO of the Chicago-based Environmental Law and Policy Center. “It is moving us backward by imposing what may be significant costs on ratepayers to run a coal plant which is no longer economic and regulators have found is not necessary.”

What readers are saying

The comments overwhelmingly criticize the Trump administration's decision to keep the J.H. Campbell coal plant open, highlighting concerns about increased pollution, higher electricity costs, and the undermining of state rights. Many commenters express skepticism about the... Show more

This summary is AI-generated. AI can make mistakes and this summary is not a replacement for reading the comments.

HENRY DARGAN MCMASTER
GOVERNOR

May 9, 2025

The Honorable Lindsey Graham
The Honorable Nancy Mace
The Honorable Sherri Biggs
The Honorable Ralph Norman
The Honorable Russell Fry

The Honorable Tim Scott
The Honorable Joe Wilson
The Honorable William Timmons
The Honorable James E. Clyburn

Ladies and Gentlemen:

South Carolina is about to lose an historic opportunity we've been seeking for years and working towards for months: ushering in a nuclear renaissance in South Carolina and across the country. We need your immediate help.

The country needs power. We've been meeting and planning vigorously for months with people and companies who want to build nuclear reactors and who want to buy their power.

Their targets are two big AP 1000 reactors at V.C. Summer, once a sad story, now a brilliant opportunity. We just need to finish them, but that takes money. Fortunately, the money is available; unfortunately, it is about to disappear. That's why I am writing you.

I will soon sign S. 51, legislation dealing with Santee Cooper's current effort to gauge the feasibility of finishing nuclear reactors (#2 and #3) at the V.C. Summer Nuclear Station in Jenkinsville. But without the existing federal tax credits and loan programs for nuclear power that make financing new nuclear power generation possible, our efforts to finish V.C. Summer are dead. And Congress is on the edge of eliminating them in budget reconciliation.

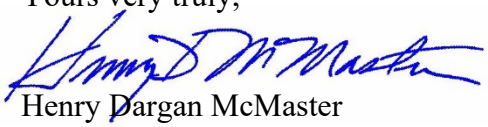
The federal tax credits for nuclear power in sections of the Internal Revenue Code and the Section 1706 loan authority at the Department of Energy Loan Programs Office make it possible to preserve existing nuclear assets like V.C. Summer. They also help attract billions of dollars in large-scale private capital and investment necessary for nuclear construction. Traditional lenders are reluctant to finance new nuclear generation projects.

S. 51 specifically speaks to these existing federal tax credits and loan programs for nuclear power and deems them critical to completing the construction of the V.C. Summer reactors.

South Carolina's economy is booming, and our population is growing at record rates. Our prosperity has created demand for infrastructure, workforce, housing, education, transportation, and recreation. All these challenges – now and in the future – require South Carolina to have clean, abundant and affordable power. That means nuclear power. And that means finishing the job at V.C. Summer.

I urge you to protect the federal tax credit and loan programs for nuclear power in the upcoming reconciliation negotiations. Your leadership is as crucial as the power. Thank you.

Yours very truly,



Henry Dargan McMaster

cc: Members of the South Carolina General Assembly

STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mike Braun
Governor

May 16, 2025

The Honorable John Thune
The Honorable John Barrasso
The Honorable Tom Emmer
The Honorable Jodey Arrington
The Honorable Mike Crapo

The Honorable Mike Johnson
The Honorable Steve Scalise
The Honorable Lindsay Graham
The Honorable Brett Guthrie
The Honorable Jason Smith

Ladies and Gentlemen,

Indiana stands on the threshold of a nuclear renaissance - a pivotal moment for our state's energy future and economic growth. We have a unique opportunity to harness and enhance our nuclear infrastructure, ensuring reliable, clean, and affordable power to fuel Indiana's rapidly expanding industries.

Our state boasts strategic advantages that few can match. Two promising sites, Rockport and The Crane Naval Base, are already in the early stages of preparation for possible Small Modular Reactor (SMR) siting. These sites offer not only ideal locations for advanced nuclear deployment but also a robust foundation from which to spearhead innovation in nuclear technology. In addition, major industry players like BWXT and Rolls Royce Manufacturing are poised to drive manufacturing excellence and fuel our nuclear ambitions, reinforcing Indiana's position as a national leader in the sector.

Preliminary surveys have identified more than 7 sites across Indiana that are suitable for SMR technology and other advanced nuclear deployments. This extensive inventory of potential sites underlines the breadth of our opportunities - each one representing a stepping-stone towards powering our state's future with resilient and sustainable energy solutions.

Moreover, Indiana's energy demand is projected to increase by an estimated 2 – 4 percent annually. This surge is driven by the rapid expansion of key industries, such as steel production, semiconductor manufacturing, automotive production, and the burgeoning presence of AI data centers. The growth of these sectors underscores the urgent need for large-scale, dependable energy development. By investing in nuclear infrastructure now, we can ensure that Indiana not only meets but exceeds these rising energy requirements, fostering an environment of sustained economic prosperity.

In Indiana, we understand that federal tax credits under the Internal Revenue Code, along with the Section 1706 loan authority from the U.S. Department of Energy, are vital tools for preserving our nation's key nuclear assets and for attracting billions of dollars in private

investment essential to nuclear construction. These financial mechanisms are particularly critical, as traditional lenders have long been cautious about financing new nuclear projects. We recognize this dynamic by deeming these tax credits and loan programs indispensable for de-risking nuclear investments and driving energy solutions that will power our future here in Indiana.

Your leadership is essential in safeguarding the federal programs that permit these advancements. With your support, Indiana can ignite a nuclear renaissance that not only powers our industries but also delivers long-term benefits for our communities, from job creation to environmental sustainability. A transformational opportunity is before us.

Let us collaborate and seize this moment together. Indiana's nuclear future is bright, and with decisive action, we can secure a legacy of innovation, energy independence, and economic stability for generations to come.

Respectfully,

Mike Braun
Governor, State of Indiana

cc: Indiana Congressional Delegation

Proposed Rollbacks of Efficiency Standards Would Cost Consumers $43 Billion

By Joanna Mauer

May 2025

Summary

On May 12, the Department of Energy (DOE) announced proposals to eliminate or reduce dozens of regulations. While DOE claims that these actions would save Americans $11 billion, it simply ignores that they would add more than $54 billion—nearly five times as much—in utility bill costs, according to the department's own analyses. Families and businesses would therefore see their net costs raised by $43 billion under the proposed repeals.

In every efficiency standards rulemaking, DOE estimates both the additional upfront product costs and the lifetime operating cost savings from higher efficiency levels. In DOE's recent press release announcing its proposals to eliminate or reduce 47 regulations, the department claimed that these actions "will save the American people $11 billion." However, this number—which appears to reflect the cumulative incremental costs associated with efficiency standards for 12 products—ignores the much larger utility bill savings that these standards are delivering or are set to deliver. Rather than saving money for Americans, DOE's proposed repeals would instead significantly increase costs by allowing the sale of outdated, energy-wasting products.

Twenty-two of the 47 proposals are unrelated to efficiency standards; for these, it appears that the administration does not have any savings estimates.[1] Similarly, for 13 of the 25 proposals related to efficiency standards, DOE has not published estimates of costs or savings.[2]

For the remaining 12 proposals related to efficiency standards,[3] table 1 shows DOE's prior estimates of the cumulative incremental product costs and operating cost savings (over 30 years of product sales) for the standards that would be eliminated. (For three products—microwave ovens, compact residential clothes washers, and miscellaneous refrigeration products—DOE's proposals would eliminate both the current standards as well as recently finalized standards scheduled to take effect in the coming years.) The total cumulative incremental product costs are $11.4 billion, which matches the claimed "savings" from eliminating these standards in DOE's press release. However, the total cumulative operating cost savings are $54.5 billion. In other words, DOE's published analyses show that the utility bill savings for

[1] As of May 19, the DOGE website listed the savings for these rules as "To be calculated." https://doge.gov/regulations.

[2] One relates to a reporting requirement (#1 on the list of 47), two address test procedures (#39 and #40), three would withdraw coverage determinations for products for which DOE has not yet set standards (#38, #45, and #46), two address products (faucets and showerheads) for which DOE has never updated the standards established by Congress (#15 and #44), and one is a request for information (#42). Another four would repeal water efficiency standards while leaving the energy efficiency standards in place (#12, #20, #21, and #22), and DOE has not separated out the costs associated with just the water efficiency requirements.

[3] Corresponding to #13, #14, #16, #17, #18, #19, #23, #24, #34, #35, #36, and #37.

households and businesses from these rules are nearly five times greater than the additional upfront costs.

The table also shows for each rule DOE's estimate of the total net present value savings, which are the difference between the operating cost savings and the incremental costs. The total net present value savings for the 12 rules are $43 billion. In other words, while DOE claims that its recent proposals would save Americans $11 billion, the department's own analyses show that eliminating these standards would instead raise net costs for households and businesses by $43 billion.

Table 1. Costs and savings of 12 efficiency standards targeted for repeal

Product	Final rule date	Compliance date	Cumulative incremental product costs (billion $)	Cumulative operating cost savings (billion $)	Net present value savings (billion $)
Prerinse spray valves	2016	2019	0.00	1.48	1.48
Microwave ovens	2013	2016	1.34	4.72	3.38
	2023	2026	0.08	0.43	0.35
External power supplies	2014	2016	3.3	7.1	3.8
Dehumidifiers	2016	2019	0.19	2.90	2.71
Conventional cooking tops	2009	2012	0.17	0.73	0.56
Conventional ovens	2009	2012	0.18	0.33	0.14
Battery chargers	2016	2018	0.2	1.4	1.2
Compact residential clothes washers	2012	2015/2018	0.07	0.64	0.56
	2024	2028	0.05	0.07	0.02
Air cleaners	2023	2023/2025	0.5	14.1	13.7
Compressors	2020	2025	0.2	0.6	0.4
Miscellaneous refrigeration products	2016	2019	2.9	13.9	11.0
	2024	2029	1.23	2.00	0.77
Portable air conditioners	2020	2025	1.0	4.1	3.1
Total	--	--	**11.4**	**54.5**	**43.2**

Note: The incremental product costs, operating cost savings, and net present value savings all reflect a 3% discount rate.

Appendix A shows the sources for the estimates of costs and savings.

Appendix A. Sources for costs and savings

Product	Sources
Prerinse spray valves	DOE 2016 Final Rule: www.govinfo.gov/content/pkg/FR-2016-01-27/pdf/2016-00068.pdf.
Microwave ovens	DOE 2013 Final Rule: www.govinfo.gov/content/pkg/FR-2013-06-17/pdf/2013-13535.pdf. DOE 2023 Final Rule: www.govinfo.gov/content/pkg/FR-2023-06-20/pdf/2023-12958.pdf.
External power supplies	DOE 2014 Final Rule: www.govinfo.gov/content/pkg/FR-2014-02-10/pdf/2014-02560.pdf.
Dehumidifiers	DOE 2016 Final Rule: www.govinfo.gov/content/pkg/FR-2016-06-13/pdf/2016-12881.pdf.
Conventional cooking tops	DOE 2009 Final Rule: www.govinfo.gov/content/pkg/FR-2009-04-08/pdf/E9-7545.pdf. DOE 2009 Final Rule National Impact Analysis Tool for Cooktops and Ovens: www.regulations.gov/document/EERE-2006-STD-0127-0099.
Conventional ovens	DOE 2009 Final Rule: www.govinfo.gov/content/pkg/FR-2009-04-08/pdf/E9-7545.pdf. DOE 2009 Final Rule National Impact Analysis Tool for Cooktops and Ovens: www.regulations.gov/document/EERE-2006-STD-0127-0099.
Battery chargers	DOE 2016 Final Rule: www.govinfo.gov/content/pkg/FR-2016-06-13/pdf/2016-12835.pdf.
Compact residential clothes washers	DOE 2012 Final Rule National Impact Analysis: www.regulations.gov/document/EERE-2008-BT-STD-0019-0046. DOE 2024 Final Rule National Impact Analysis: www.regulations.gov/document/EERE-2017-BT-STD-0014-0512.
Air cleaners	DOE 2023 Final Rule: www.govinfo.gov/content/pkg/FR-2023-04-11/pdf/2023-06499.pdf.
Compressors	DOE 2020 Final Rule: www.govinfo.gov/content/pkg/FR-2020-01-10/pdf/2019-26355.pdf.
Miscellaneous refrigeration products	DOE 2016 Final Rule: www.govinfo.gov/content/pkg/FR-2016-10-28/pdf/2016-24759.pdf. DOE 2024 Final Rule: www.govinfo.gov/content/pkg/FR-2024-05-07/pdf/2024-08001.pdf
Portable air conditioners	DOE 2020 Final Rule: www.govinfo.gov/content/pkg/FR-2020-01-10/pdf/2019-26350.pdf.

Federal Reserve Bank of Dallas

Dallas Fed
Energy Survey

Dallas Fed Energy Survey

First Quarter | March 26, 2025

Oil and gas activity edges higher; uncertainty rising, costs increase

What's New This Quarter

Special questions this quarter include an annual update on break-even prices by basin. Questions also focus on regulatory compliance costs, employee head count, mergers and acquisitions in the upstream sector and the impact of steel import tariffs.

Activity in the oil and gas sector increased slightly in first quarter of 2025, according to oil and gas executives responding to the Dallas Fed Energy Survey. The business activity index, the survey's broadest measure of the conditions energy firms face in the Eleventh District, remained in positive territory but declined slightly from 6.0 in the fourth quarter 2024 to 3.8 in the first quarter.

The company outlook index decreased 12 points to -4.9, suggesting slight pessimism among firms. Meanwhile, the outlook uncertainty index jumped 21 points to 43.1.

Oil and gas production increased slightly in the first quarter, according to executives at exploration and production firms. The oil production index moved up from 1.1 in the fourth quarter to 5.6 in the first quarter. Meanwhile, the natural gas production index turned positive, rising from -3.5 to 4.8.

Costs increased at a faster pace relative to the prior quarter. Among oilfield services firms, the input cost index advanced, from 23.9 to 30.9. Among E&P firms, the finding and development costs index increased, from 11.5 to 17.1. Meanwhile, the lease operating expenses index rose from 25.6 to 38.7.

The equipment utilization index for oilfield services firms was relatively unchanged at -4.8. The operating margin index decreased from -17.8 to -21.5, indicating margins narrowed at a slightly faster rate. Meanwhile, the prices received for services index swung into positive territory, increasing from -13.0 to 7.1.

The aggregate employment index edged down from 2.2 in the fourth quarter to zero in the first quarter. This suggests employment was unchanged in the quarter. The aggregate employee hours index was relatively unchanged at 0.7. Meanwhile, the aggregate wages and benefits index was also relatively unchanged at 21.6.

On average, respondents expect a West Texas Intermediate (WTI) oil price of $68 per barrel at year-end 2025; responses ranged from $50 to $100 per barrel. When asked about longer-term expectations, respondents on average said they expect a WTI oil price of $74 per barrel two years from now and $82 per barrel five years from now. Survey participants foresee a Henry Hub natural gas price of $3.78 per million British thermal units (MMBtu) at year-end 2025. When asked about longer-term expectations, respondents on average said they anticipate a Henry Hub gas price of $4.30 per MMBtu two years from now and $4.83 per MMBtu five years from now. For reference, WTI spot prices averaged $67.60 per barrel during the survey collection period, and Henry Hub spot prices averaged $4.10 per MMBtu.

Next release: July 2, 2025

Data were collected March 12–20, and 130 energy firms responded. Of the respondents, 88 were exploration and production firms and 42 were oilfield services firms.

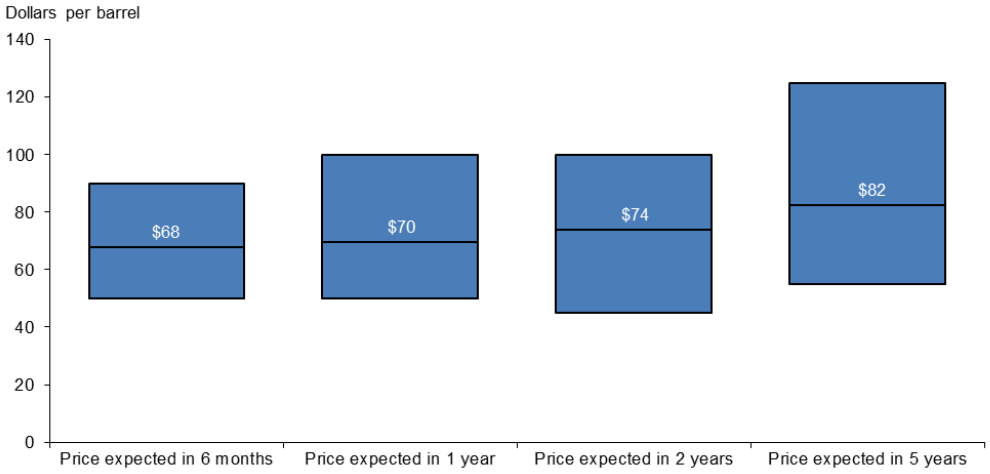
The Dallas Fed conducts the Dallas Fed Energy Survey quarterly to obtain a timely assessment of energy activity among oil and gas firms located or headquartered in the Eleventh District. Firms are asked whether business activity, employment, capital expenditures and other indicators increased, decreased or remained unchanged compared with the prior quarter and with the same quarter a year ago. Survey responses are used to calculate an index for each indicator. Each index is calculated by subtracting the percentage of respondents reporting a decrease from the percentage reporting an increase. When the share of firms reporting an increase exceeds the share reporting a decrease, the index will be greater than zero, suggesting the indicator has increased over the previous quarter. If the share of firms reporting a decrease exceeds the share reporting an increase, the index will be below zero, suggesting the indicator has decreased over the previous quarter.

First Quarter | March 26, 2025

Price Forecasts

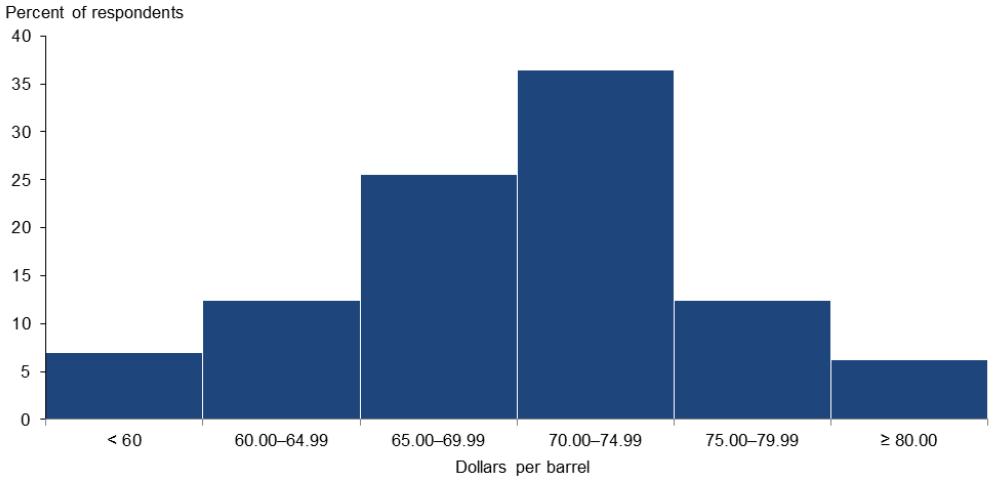
West Texas Intermediate Crude

What do you expect WTI prices to be in six months, one year, two years and five years?



NOTES: Executives from 124 oil and gas firms answered this question during the survey collection period, March 12–20, 2025. For reference, WTI (West Texas Intermediate) spot prices averaged $67.60 per barrel during the period. The middle line denotes the mean, while the bottom and top of the box denote the minimum and maximum response.
SOURCES: Federal Reserve Bank of Dallas; Chicago Mercantile Exchange (reference price).

What do you expect the WTI crude oil price to be at the end of 2025?



NOTES: Executives from 129 oil and gas firms answered this question during the survey collection period, March 12–20, 2025. The average response was $68 per barrel. For reference, WTI (West Texas Intermediate) spot prices averaged $67.60 per barrel during the period.
SOURCES: Federal Reserve Bank of Dallas; Energy Information Administration (reference price).

West Texas Intermediate crude oil price, year-end 2025

Indicator	Survey Average	Low Forecast	High Forecast	Price During Survey
Current quarter	$68.32	$50.00	$100.00	$67.60
Prior quarter	$71.13	$53.00	$100.00	$70.66

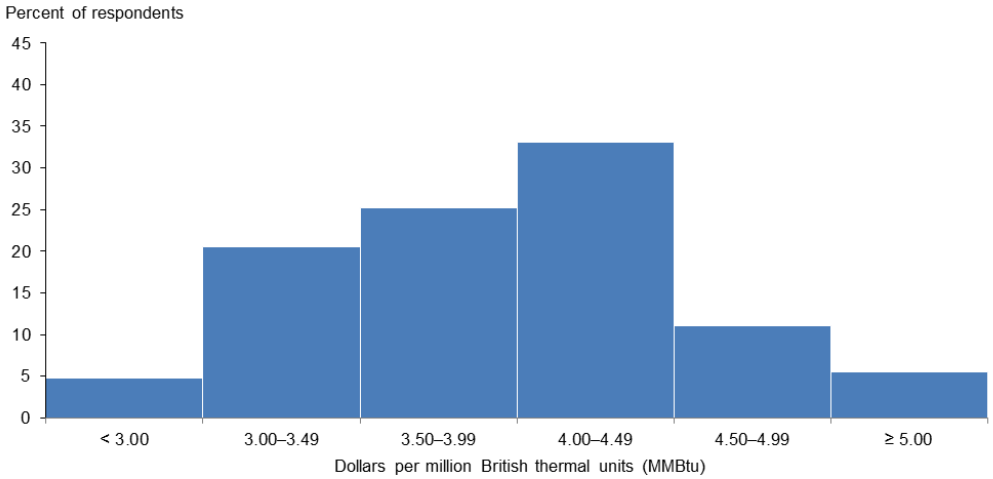
NOTE: Price during survey is an average of daily spot prices during the survey collection period.
SOURCES: Federal Reserve Bank of Dallas; Energy Information Administration.

Henry Hub Natural Gas

What do you expect Henry Hub natural gas prices to be in six months, one year, two years and five years?

NOTES: Executives from 117 oil and gas firms answered this question during the survey collection period, March 12–20, 2025. For reference, Henry Hub spot prices averaged $4.10 per million British thermal units (MMBtu) during the period. The middle line denotes the mean, while the bottom and top of the box denote the minimum and maximum response.
SOURCES: Federal Reserve Bank of Dallas; Energy Information Administration (reference price).

What do you expect the Henry Hub natural gas price to be at the end of 2025?



NOTES: Executives from 127 oil and gas firms answered this question during the survey collection period, March 12–20, 2025. The average response was $3.78 per MMBtu. For reference, Henry Hub spot prices averaged $4.10 per MMBtu during the period.
SOURCES: Federal Reserve Bank of Dallas; Energy Information Administration (reference price).

Henry Hub natural gas price, year-end 2025

Indicator	Survey Average	Low Forecast	High Forecast	Price During Survey
Current quarter	$3.78	$2.00	$5.25	$4.10
Prior quarter	$3.19	$2.00	$4.80	$3.04

NOTE: Price during survey is an average of daily spot prices during the survey collection period.
SOURCES: Federal Reserve Bank of Dallas; Energy Information Administration.

First Quarter | March 26, 2025

Special Questions

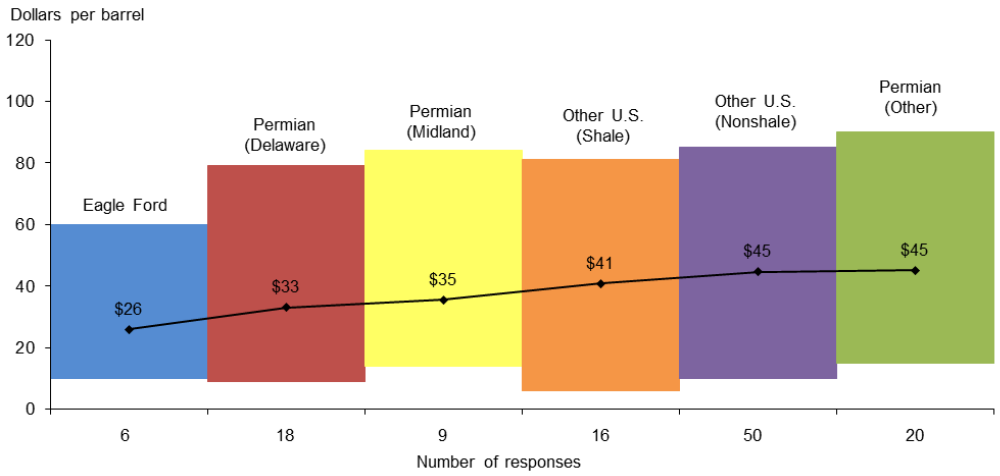
Data were collected March 12–20; 129 oil and gas firms responded to the special questions survey.

Exploration and production (E&P) firms

In the top two areas in which your firm is active: What West Texas Intermediate (WTI) oil price does your firm need to cover operating expenses for existing wells?

The average price across the entire sample is approximately $41 per barrel, up from $39 last year. Across regions, the average price necessary to cover operating expenses ranges from $26 to $45 per barrel. Almost all respondents can cover operating expenses for existing wells at current prices.

Large firms (with crude oil production of 10,000 barrels per day or more as of fourth quarter 2024) require prices of $31 per barrel to cover operating expenses for existing wells, based on the average of company responses. That compares with $44 for small firms (fewer than 10,000 barrels per day).



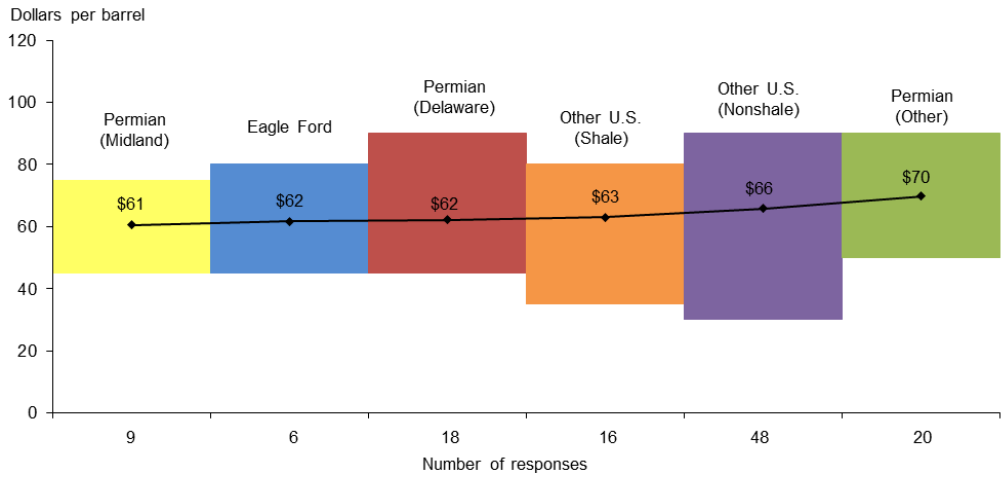
NOTES: Lines show the mean, and bars show the range of responses. Executives from 83 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

In the top two areas in which your firm is active: What WTI oil price does your firm need to profitably drill a new well?

For the entire sample, firms need $65 per barrel on average to profitably drill, higher than the $64-per-barrel price when this question was asked in last year's first-quarter survey. Across regions, average breakeven prices to profitably drill range from $61 to $70 per barrel. Breakeven prices in the Permian Basin average $65 per barrel, unchanged from last year.

Large firms (with crude oil production of 10,000 barrels per day or more as of fourth quarter 2024) require a $61-per-barrel price to profitably drill, based on the average of company responses. That compared with $66 for small firms (fewer than 10,000 barrels per day).

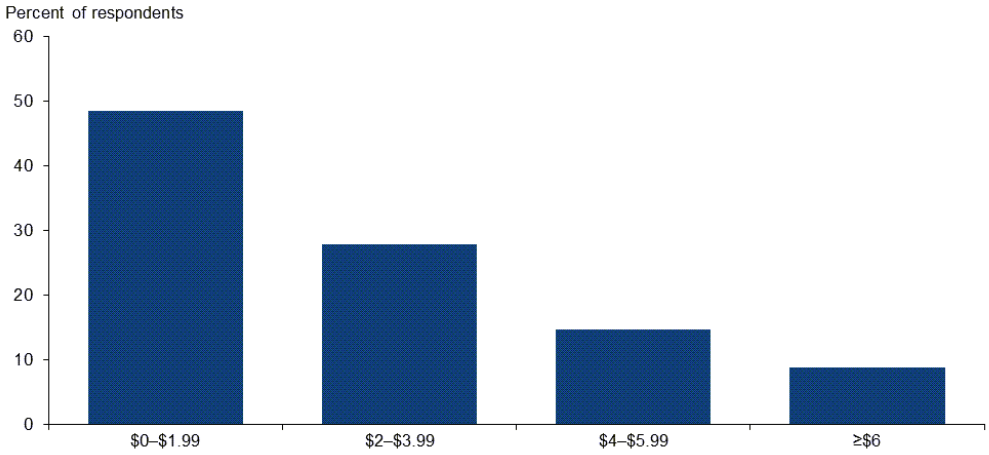


NOTES: Lines show the mean, and bars show the range of responses. Executives from 81 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

On a net production basis, how much do you estimate is your firm's cost of regulatory compliance, broadly defined, on a dollar-per-barrel basis?

Almost half of the executives (49 percent) estimate that their firm's cost of regulatory compliance is $0–$1.99 per barrel. Twenty-eight percent of executives estimate the cost as $2–$3.99 per barrel; an additional 15 percent said $4–$5.99 per barrel. The remaining 9 percent said greater than or equal to $6 per barrel.

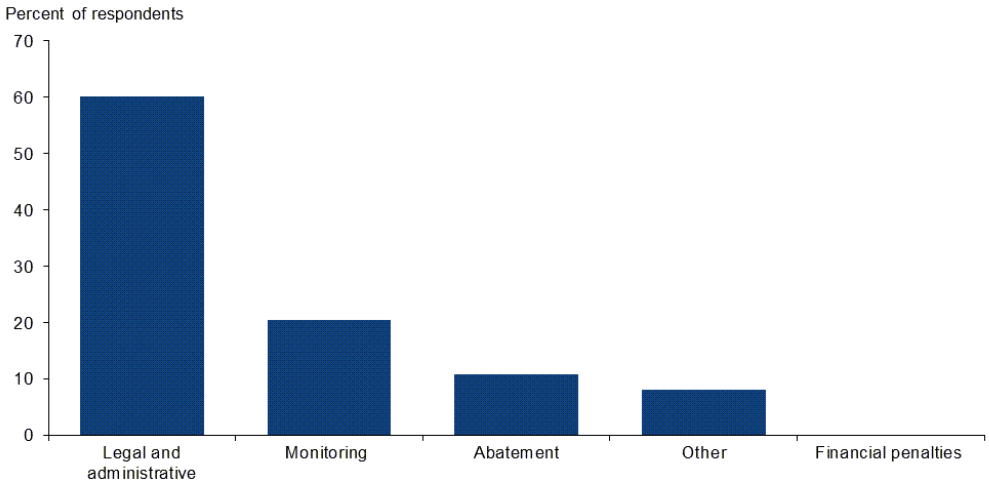


NOTES: Executives from 68 exploration and production firms answered this question during the survey collection period, March 12–20, 2025. Respondents were asked to use a broad definition of regulatory compliance as applicable to their firm, including permitting costs, environmental, hiring and labor practices, but excluding tax payments.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

Which of the following is the main cost component for regulatory compliance for your firm?

A majority of executives—60 percent—said legal and administrative costs are their firm's main expense item in terms of regulatory compliance. Twenty-one percent of executives selected "monitoring." Eleven percent cited "abatement," and 8 percent cited "other."

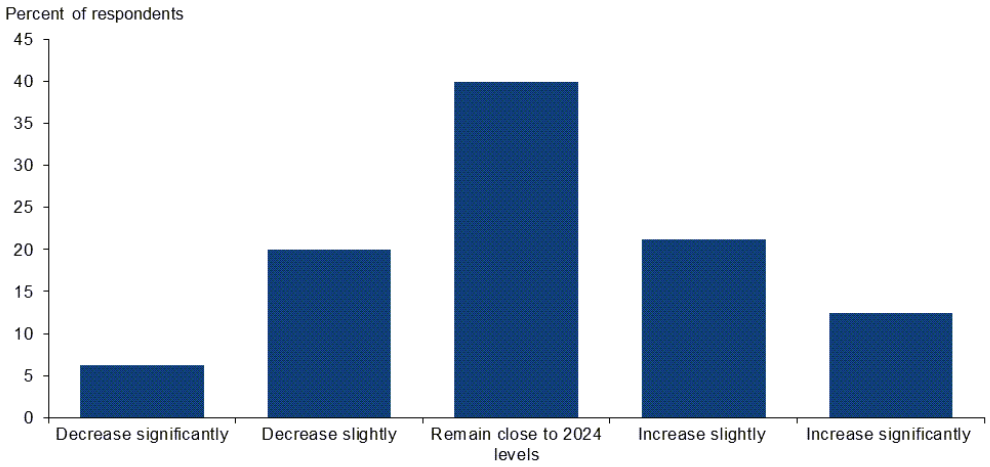


NOTE: Executives from 73 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

How much do you expect your firm's cost of regulatory compliance to change in 2025 versus 2024?

Forty percent of executives expect their firm's cost of regulatory compliance to remain close to 2024 levels in 2025. More respondents expect the cost of regulatory compliance to increase this year rather than decrease. Twenty-one percent of executives said they expect regulatory compliance cost to slightly increase, while 13 percent anticipate a significant increase. On the other hand, 20 percent of executives expect regulatory compliance cost to decrease slightly, and 6 percent anticipate it will decrease significantly.



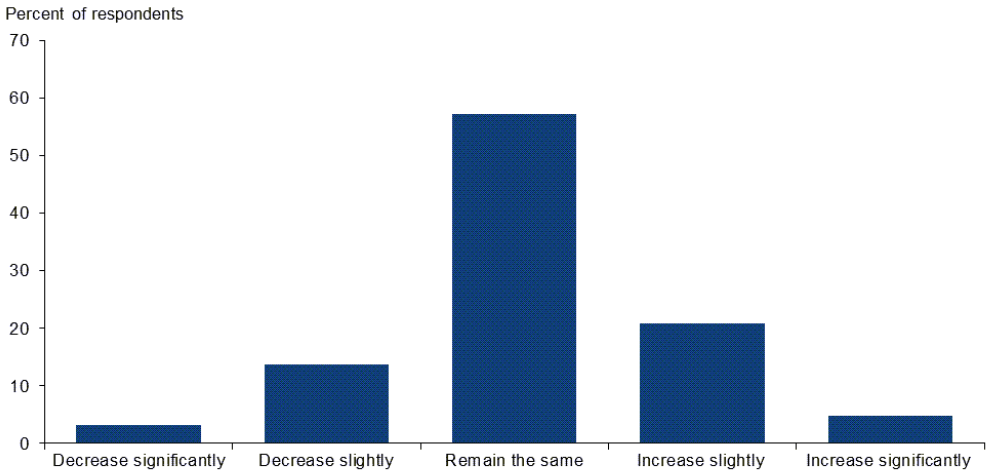
NOTE: Executives from 80 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

All firms

How do you expect the number of employees at your company to change from December 2024 to December 2025?

The largest group, 57 percent of executives, expect employment at their firm to remain the same from December 2024 to December 2025. 21 percent of executives chose “increase slightly” while 14 percent chose “decrease slightly.” (See table for more detail.)



NOTE: Executives from 124 oil and gas firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

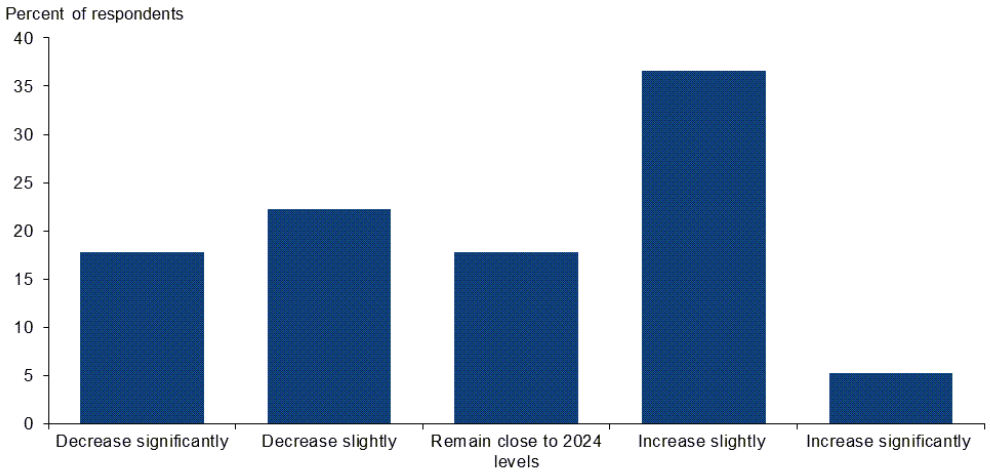
Downloadable chart | Chart data

Response	Percent of respondents (among each group)		
	All firms	E&P	Services
Increase significantly	5	4	7
Increase slightly	21	16	31
Remain close to 2025 levels	57	67	38
Decrease slightly	14	12	17
Decrease significantly	3	1	7

NOTES: Executives from 82 exploration and production firms and 42 oil and gas support services firms answered this question during the survey collection period, March 12–20, 2025. The “All” column reports the percentage of the total 124 responses. Percentages may not sum to 100 due to rounding.

What are your expectations for the total merger and acquisition deal value for the U.S. upstream oil and gas sector in 2025 versus 2024?

The biggest group, 37 percent of executives, expect the total merger and acquisition deal value for the U.S. upstream oil and gas sector to increase slightly this year. Twenty-two percent of executives expect the deal value to decrease slightly in 2025, and 18 percent each selected “remain close to 2024 levels” and “decrease significantly.”



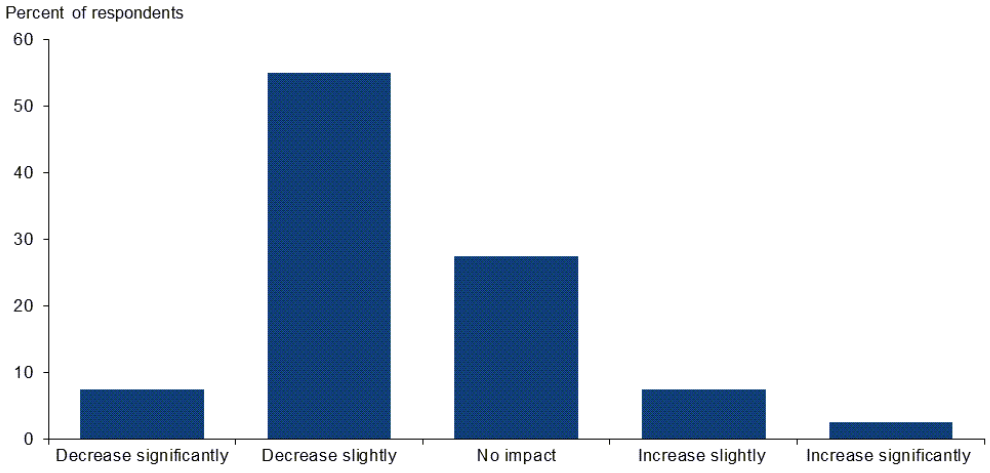
NOTE: Executives from 112 oil and gas firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

Oil and gas support services firms

What impact do you expect the 25 percent steel import tariffs to have on your customer demand for 2025?

This question was posed only to oil and gas support services firms, which have E&P firms as their primary customer. A majority of executives—55 percent—expect the impact of the steel import tariffs to slightly decrease customer demand for 2025. Twenty-eight percent expect no impact. Few respondents selected “decrease significantly,” “increase slightly” or “increase significantly.”



NOTE: Executives from 40 oil and gas support services firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Downloadable chart | Chart data

Special Questions Comments

Exploration and Production (E&P) Firms

- For the average onshore upstream operator, the current administration versus the previous administration regulatory regime shows no real change at all. We still get our permits from the Railroad Commission in Texas, for example, not the Environmental Protection Agency. The federal regulatory regime matters if you are operating in the Gulf of Mexico or Alaska but not for the Permian, Eagle Ford, Bakken, Utica, etc. Also, asking OPEC+ to produce more hurts domestic operators.
- Oilfield services suppliers are willing to balance profitability with contract duration, especially for customers with strong credit ratings.
- It will be hard for 2025 to compete with 2024 when it comes to upstream merger and acquisition (M&A) volumes because the major corporate mergers that have already taken place throw off the true metrics about how healthy the upstream M&A market is in the United States. Major corporate mergers and asset level M&A are two very different things. At the asset level, I think upstream M&A will improve in 2025. I think there will be less activity in major corporate mergers, which are the true needle-mover when measuring total volume of upstream M&A.
- The new administration brings positivity to the energy industry.
- When the little guy, the independent, reaches critical mass in size, he can be purchased by a larger company.

Oil and Gas Support Services Firms

- In a strange twist to the administration's hope for more domestic oil and gas production, higher steel tariffs may result in fewer wells completed due to higher completion costs, and, in particular, the cost of oil country tubular goods. The margins are thin enough for many wells, and this will likely result in downward pressure on total wells brought online.
- The rig count is flat and scrap prices are up. Time to scrap more rigs; there are lots of rigs that will never go back to work.

First Quarter | March 26, 2025

Business Indicators: Quarter/Quarter

Business Indicators: All Firms
Current Quarter (versus previous quarter)

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Level of Business Activity	3.8	6.0	27.1	49.6	23.3
Capital Expenditures	9.4	1.5	32.8	43.8	23.4
Supplier Delivery Time	3.2	-4.6	7.9	87.4	4.7
Employment	0.0	2.2	11.6	76.7	11.6
Employee Hours	0.7	0.0	13.8	73.1	13.1
Wages and Benefits	21.6	21.7	25.4	70.8	3.8

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-4.9	7.1	26.2	42.6	31.1

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Uncertainty	43.1	22.4	60.8	21.5	17.7

Business Indicators: E&P Firms
Current Quarter (versus previous quarter)

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease

Level of Business Activity	6.9	8.0	25.3	56.3	18.4
Oil Production	5.6	1.1	26.1	53.4	20.5
Natural Gas Wellhead Production	4.8	-3.5	27.7	49.4	22.9
Capital Expenditures	8.2	3.6	32.6	43.0	24.4
Expected Level of Capital Expenditures Next Year	18.2	24.1	37.5	43.2	19.3
Supplier Delivery Time	3.6	-5.9	7.1	89.4	3.5
Employment	-2.3	4.6	6.9	83.9	9.2
Employee Hours	1.1	-2.3	9.1	83.0	8.0
Wages and Benefits	21.6	24.1	26.1	69.3	4.5
Finding and Development Costs	17.1	11.5	21.6	73.9	4.5
Lease Operating Expenses	38.7	25.6	39.8	59.1	1.1

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-3.7	13.8	26.3	43.8	30.0

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Uncertainty	40.9	24.1	61.4	18.2	20.5

Business Indicators: O&G Support Services Firms
Current Quarter (versus previous quarter)

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Level of Business Activity	-2.3	2.2	31.0	35.7	33.3
Utilization of Equipment	-4.8	-4.4	26.2	42.9	31.0
Capital Expenditures	11.9	-2.1	33.3	45.2	21.4
Supplier Delivery Time	2.4	-2.2	9.5	83.3	7.1
Lag Time in Delivery of Firm's Services	0.0	0.0	7.1	85.7	7.1
Employment	4.7	-2.1	21.4	61.9	16.7
Employment Hours	0.0	4.3	23.8	52.4	23.8
Wages and Benefits	21.4	17.0	23.8	73.8	2.4
Input Costs	30.9	23.9	33.3	64.3	2.4
Prices Received for Services	7.1	-13.0	21.4	64.3	14.3
Operating Margin	-21.5	-17.8	19.0	40.5	40.5

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-7.1	-4.3	26.2	40.5	33.3

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Uncertainty	47.6	19.2	59.5	28.6	11.9

Business Indicators: Year/Year

Business Indicators: All Firms
Current Quarter (versus same quarter a year ago)

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Level of Business Activity	4.9	-3.2	32.8	39.3	27.9
Capital Expenditures	15.0	4.8	40.0	35.0	25.0
Supplier Delivery Time	3.4	-8.1	10.2	83.1	6.8
Employment	7.4	4.0	20.5	66.4	13.1
Employee Hours	5.6	5.5	18.5	68.5	12.9
Wages and Benefits	41.4	45.3	44.7	52.0	3.3

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	0.0	5.2	34.5	31.0	34.5

Business Indicators: E&P Firms
Current Quarter (versus same quarter a year ago)

Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Level of Business Activity	9.9	6.2	34.6	40.7	24.7
Oil Production	13.3	-5.1	38.6	36.1	25.3
Natural Gas Wellhead Production	1.2	-12.5	31.6	38.0	30.4
Capital Expenditures	16.2	7.6	42.5	31.3	26.3
Expected Level of Capital Expenditures Next Year	16.1	19.0	38.3	39.5	22.2
Supplier Delivery Time	1.3	-3.9	7.8	85.7	6.5
Employment	6.1	5.0	15.9	74.4	9.8
Employee Hours	9.7	6.2	16.9	75.9	7.2
Wages and Benefits	40.2	43.7	43.9	52.4	3.7
Finding and Development Costs	21.7	16.1	32.5	56.6	10.8
Lease Operating Expenses	51.8	38.5	54.2	43.4	2.4

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	1.4	8.3	34.7	31.9	33.3

Business Indicators: O&G Support Services Firms
Current Quarter (versus same quarter a year ago)

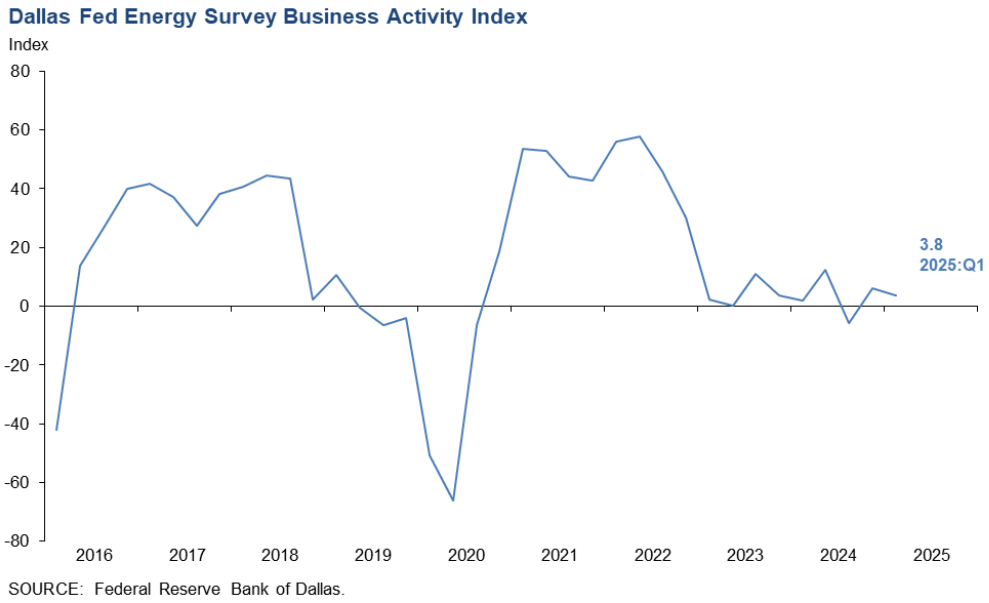
Indicator	Current Index	Previous Index	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Level of Business Activity	-4.8	-19.5	29.3	36.6	34.1
Utilization of Equipment	-4.8	-24.4	29.3	36.6	34.1
Capital Expenditures	12.5	0.0	35.0	42.5	22.5
Supplier Delivery Time	7.3	-15.5	14.6	78.0	7.3
Lag Time in Delivery of Firm's Services	-2.5	-11.4	7.3	82.9	9.8
Employment	10.0	2.2	30.0	50.0	20.0
Employment Hours	-2.4	4.4	22.0	53.7	24.4
Wages and Benefits	43.9	47.8	46.3	51.2	2.4
Input Costs	55.0	51.1	57.5	40.0	2.5
Prices Received for Services	7.3	-11.6	29.3	48.8	22.0

Operating Margin	-20.5	-22.7	23.1	33.3	43.6

Indicator	Current Index	Previous Index	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-2.5	0.0	34.1	29.3	36.6

First Quarter | March 26, 2025

Activity Chart



SOURCE: Federal Reserve Bank of Dallas.

First Quarter | March 26, 2025

Comments from Survey Respondents

These comments are from respondents' completed surveys and have been edited for publication. Comments from the Special Questions survey can be found below the special questions.

Exploration and Production (E&P) Firms

- The key word to describe 2025 so far is "uncertainty" and as a public company, our investors hate uncertainty. This has led to a marked increase in the implied cost of capital of our business, with public energy stocks down significantly more than oil prices over the last two months. This uncertainty is being caused by the conflicting messages coming from the new administration. There cannot be "U.S. energy dominance" and $50 per barrel oil; those two statements are contradictory. At $50-per-barrel oil, we will see U.S. oil production start to decline immediately and likely significantly (1 million barrels per day plus within a couple quarters). This is not "energy dominance." The U.S. oil cost curve is in a different place than it was five years ago; $70 per barrel is the new $50 per barrel.
- First, trade and tariff uncertainty are making planning difficult. Second, I urge the administration to engage with U.S. steel executives to boost domestic production and introduce new steel specs. This will help lower domestic steel prices, which have risen over 30 percent in one month in anticipation of tariffs.
- The administration's chaos is a disaster for the commodity markets. "Drill, baby, drill" is nothing short of a myth and populist rallying cry. Tariff policy is impossible for us to predict and doesn't have a clear goal. We want more stability.
- The disconnection of oil and natural gas markets, specifically commodity pricing, seems to be causing a feast-or-famine effect on the industry. Companies with natural-gas-weighted assets will spend more money in 2025

developing their assets, but oil-weighted companies will decrease capital spending with the current pressure on oil pricing for 2025.

- The administration's tariffs immediately increased the cost of our casing and tubing by 25 percent even though inventory costs our pipe brokers less. U.S. tubular manufacturers immediately raised their prices to reflect the anticipated tariffs on steel. The threat of $50 oil prices by the administration has caused our firm to reduce its 2025 and 2026 capital expenditures. "Drill, baby, drill" does not work with $50 per barrel oil. Rigs will get dropped, employment in the oil industry will decrease, and U.S. oil production will decline as it did during COVID-19.
- I have never felt more uncertainty about our business in my entire 40-plus-year career.
- Uncertainty around everything has sharply risen during the past quarter. Planning for new development is extremely difficult right now due to the uncertainty around steel-based products. Oil prices feel incredibly unstable, and it's hard to gauge whether prices will be in the $50s per barrel or $70s per barrel. Combined, our ability to plan operations for any meaningful amount of time in the future has been severely diminished.
- The only certainty right now is uncertainty. With that in mind, we are approaching this economic cycle with heightened capital discipline and a focus on long-term resilience. I don't believe the tariffs will have a significant effect on drilling and completion plans for 2025, although I would imagine most managers are developing contingency plans for the potential effects of deals (Russia-Ukraine deal, Gaza-Israel-Iran deal) on global crude or natural gas flows. Now these contingency plans probably have more downside price risk baked in than initial drilling plans did for 2025.
- Steel prices and overall labor and drilling costs are up relative to the price of oil in 2021 (the same pricing regime but costs are up).
- Oil prices have decreased while operating costs have continued to increase. To stimulate new activity, oil prices need to be in the $75-$80 per barrel range. Natural gas takeaway in the Permian Basin has not improved for any of my properties, and I am still getting paid slightly negative to barely positive prices for natural gas. Last month I was paid 29 cents per million cubic feet. I feel very negative about the short-term outlook for the oil and gas business.
- Geopolitical risk and economic uncertainty continue to cloud our picture looking forward.
- The rhetoric from the current administration is not helpful. If the oil price continues to drop, we will shut in production and do quick drilling.
- Our program is located in central California. California's government continues to undermine permitting by their staff's inactivity and delays. Ongoing actions in that bureaucracy are increasing costs and regulatory hurdles, hampering investment in the state. Often it appears the state is overstepping authority and working to restrict access to private and federal minerals by creating added levels of regulations bureaucracy and reporting requirements, with the cumulative effect being to hamper the industry overall and prevent specific project plans. This is a very serious impediment to developing strategically located oil and gas assets. Additionally, California imports its energy, with much of its natural gas coming from western Canada. Oil is also imported via tanker from foreign countries rather than being responsibly produced by companies paying taxes in state. California is vulnerable. Tariffs will exacerbate all aspects of business and simply put, any tariffs restricting energy (oil, gas or other) could be a large issue for the state. Effectively, the state needs local investment, oil and gas development, and increased state production, but the political management is working to curtail that.
- Drilling projects are increasing from outside sources. Natural gas is very positive.
- The rate of accomplishment of the administration's policy agenda will impact prices for natural gas in a favorable way. Killing the climate change policies and instigating LNG exports, along with the increase in manufacturing and artificial intelligence demands, will increase natural gas consumption. Weather-related demand was higher this year, and that increased the drawdown in natural gas storage.
- Demand has lessened resulting in a lower oil price. The same applies to gas. Unstable capital markets are affecting oil prices. The political climate caused by the new presidential administration appears to be creating instability. Energy markets are not exempt from the loss of public faith in all markets.
- Global geopolitical unrest and the uncertain economic outcomes of the administration's tariff policies suggest the need to hit the pause button on spending.
- The 2025 steel is already purchased; tariffs are most likely to impact 2026 investment decisions.

Oil and Gas Support Services Firms

- Uncertainty around tariffs and trade policy continues to negatively impact our business, both for mid- to long-term planning and near-term costs. Because of trade tension, especially with Canada, a large operator requested

we look to potentially move manufacturing out of the U.S. to support their work in Canada and other international markets.
- Washington's tariff policy is injecting uncertainty into the supply chain.
- Bias is to lower oil prices due to geopolitical factors and the current administration. The potential tariff impact is creating uncertainty around costs for capital items. We have seen price increases already. Also, we have supply chain problems with a handful of specialty items out of the EU, particularly lower explosive limit sensors for monitors needed by employees.
- The increased drilling efficiency and capital discipline by the operator community is undermining the "drill, baby, drill."
- The consolidation of E&P customers is hurting our business.
- We are seeing larger operators reduce rig count as consolidations settle out and the smaller operators pick up those rigs. The rig market has mostly softened to levels conducive to drilling. Casing looks like it will be a bottleneck but not a showstopper. Our outlook is positive as we enter the second quarter of 2025.
- We are all busy here.

Questions regarding the Dallas Fed Energy Survey can be addressed to Michael Plante at Michael.Plante@dal.frb.org or Kunal Patel at Kunal.Patel@dal.frb.org.

Letter to Stockholders Issued by Diamondback Energy, Inc.

May 5, 2025 8:01 PM EDT

MIDLAND, Texas, May 05, 2025 (GLOBE NEWSWIRE) --

Diamondback Stockholders,

This letter is meant to be a supplement to our earnings release and is being furnished to the Securities and Exchange Commission (SEC) and released to our stockholders simultaneously with our earnings release. Please see the information regarding forward-looking statements and non-GAAP financial information included at the end of this letter.

Macro Update
The past two months have been challenging for the U.S. oil and gas industry, as the combination of global economic uncertainty (lower demand) and an increase in expected OPEC+ production (higher supply) has lowered oil prices and increased volatility.

Over the past decade, the cost of supply for the average barrel of oil produced in the United States has increased. The shale revolution has evolved from proof of concept (outspend cash flow to prove up basins) to manufacturing mode (significant growth) and is now in a more mature stage of development (free cash flow generation and return of capital). Today, geologic headwinds outweigh the tailwinds provided by improvements in technology and operational efficiency. On an inflation-adjusted basis, there have only been two quarters since 2004 where front month oil prices have been as cheap as they are today (excluding 2020 which was impacted by the global pandemic). Therefore, we believe we are at a tipping point for U.S. oil production at current commodity prices.

As crude pricing moves lower for a period of time, as it has over the last month, we expect activity to slow and oil production to decline. We currently estimate that the U.S. frac crew count is already down ~15% this year, with the Permian Basin crew count down ~20% from its January peak, and both are expected to decline further. We also expect the U.S. oil directed rig count to be down almost 10% by the end of the second quarter and decline further in the third quarter. As a result of these activity cuts, it is likely that U.S. onshore oil production has peaked and will begin to decline this quarter.

This will have a meaningful impact on our industry and our country. Over the past 15 years, this industry has grown U.S. oil production by 8 million barrels of oil per day to over 13 million barrels per day, a staggering growth trajectory. This growth alone would make the United States the third largest oil producer in the world. Combining both oil and gas production, the United States today produces more than the second and third largest producers, Russia and Saudi Arabia, combined. This has transformed our economy and given the United States a level of energy security not thought possible at the beginning of this century.

In the process, this industry has pushed employment to over 2 million jobs[1], grown GDP, improved our trade balance and reduced our dependence on foreign oil. This represents the best of American ingenuity, strengthening America's standing on the world stage while creating millions of high-paying American jobs. In addition, the tax revenue generated from our industry supports education, infrastructure and health care across the country. For example, in 2024 the Texas oil and gas industry sent over $27 billion in tax dollars to Austin. Per TXOGA, this is more than the total tax revenue of 34 states. Today's prices, volatility and macroeconomic uncertainty have put this progress in jeopardy.

2025 Guidance Update
We believe this is the first true test of the capital returns model we implemented post-COVID that has improved returns and stockholder trust. At Diamondback, we believe we can create long-term value for our stockholders during this volatility by making the right capital allocation decisions – which we believe we are doing through our announcements today. We have spent the last five years positioning the Company to excel in periods of both strength and weakness, and are confident we will build off a strong first quarter to continue delivering differentiated results for our stockholders.

Last quarter, I stressed that we have consistently chosen capital efficiency and Free Cash Flow generation over volume growth for our capital plan. As the macro environment has deteriorated, we are staying true to this thesis and lowering our activity to cut CAPEX, drill and complete fewer wells and maximize Free Cash Flow generation during this period of macro instability. Put simply, we would prefer to use the incremental dollar generated to repurchase shares and pay down debt over drilling and completing wells at these prices today.

Therefore, we are lowering our full year 2025 capital budget to $3.4 - $3.8 billion, down from $3.8 - $4.2 billion previously. This is a reduction of approximately $400 million at the midpoint (10%). We now expect to drill between 385 and 435 gross wells and complete approximately 475 to 550 wells. We are dropping three rigs and one full time completion crew in the second quarter and we expect to be at these levels through the majority of the third quarter. To use a driving analogy, we are taking our foot off the accelerator as we approach a red light. If the light turns green before we get to the stoplight, we will hit the gas again, but we are also prepared to brake if needed.

Should oil prices remain weak or further deteriorate, we will maintain this level of activity, with potential to reduce further if needed. Should the market stabilize and we see consistent oil prices above $65, we have the ability to ramp activity back to previous levels and potentially grow production volumes. Traditionally, we would use this lower service cost environment to build more DUCs ("Drilled but Uncompleted Wells"), but the cost of our largest drilling input cost, casing, has increased over 10% in the last quarter due to steel tariffs.

Due to year to date volume outperformance, we expect that the offsetting oil production effect of this activity change to be minimal. Our updated annual oil production range is now 480 to 495 MBO/d, down just 1% from the midpoint of prior guidance.

As a reminder, we measure our capital efficiency using oil barrels produced divided by total capital spent. Our updated guidance implies full year 2025 oil production per million dollars of cash capital expenditures ("MBO per $MM of CAPEX") of 49.4, ~10% better than the Company's original full year 2025 guidance.

First Quarter 2025 Review
For the first quarter, Diamondback produced 475.9 MBO/d, above the high end of the oil guidance range of 470 - 475 MBO/d. Capital expenditures were $942 million, below the midpoint of our guidance range of $900 million to $1.0 billion.

We generated $2.4 billion of net cash provided by operating activities and $1.6 billion of Adjusted Free Cash Flow of which approximately $864 million,

or ~55%, was delivered to stockholders through our base dividend and buyback program. We once again leaned into buybacks in the first quarter as we felt our share price was materially below the intrinsic value of our business and repurchased approximately 3.7 million shares for ~$575 million, or $157.15 per share. We have continued to actively repurchase shares in the second quarter amidst the increased volatility since April 1st. Through last Friday, we have repurchased 1,965,180 shares for ~$255 million in the second quarter at a weighted average price of $129.71.

Operations Update
Despite the macroeconomic headwinds, the base business continues to execute flawlessly. Our drilling and completions teams remain focused on improving operational performance and driving efficiency gains. During the quarter, our drilling team set multiple records for the Company. We averaged 8.8 days from spud to target depth ("TD"), the fastest average performance in Diamondback history. Since 2018, we have drilled 23 wells from spud to TD in under 5 days and 10 of these wells were drilled in the first quarter. Additionally, we averaged nearly 2,500 lateral feet drilled per day, the best quarterly performance since 2021.

On the completions side, we continue to utilize SimulFrac fleets for nearly all of our completions and are now running four electric Halliburton Zeus fleets. In the first quarter, we averaged approximately 3,500 lateral feet completed per day.

As I mentioned earlier, our cost of casing has already increased by over 10% due to tariffs, the most material cost headwind we are currently fighting. This increases our total well costs by about $6 a foot (~1%), or almost $40 million annually at our current development pace. We expect a combination of service cost reductions and efficiency gains to more than offset this increase as industry activity slows in the coming quarters. As a result, we have lowered our average Midland Basin well cost estimate for 2025 by ~2%.

Double Eagle Acquisition
On April 1st we closed the previously announced Double Eagle acquisition. As I wrote last quarter, we believe this transaction further positions Diamondback to have the best long-term capital efficiency in the Permian Basin through a combination of inventory quality, duration and execution cost structure. We view the Double Eagle asset as the last high-quality, largely undeveloped position in the Midland Basin and have incorporated their 400 core locations into our near-term drilling plan. The operations team has seamlessly integrated this new position into our portfolio and performance on the asset is exceeding initial expectations. Additionally, our partnership to accelerate development on our Southern Midland Basin acreage is underway, which we expect to have significant Free Cash Flow benefits to Diamondback in 2026 and beyond.

Drop Down Acquisition
Last Thursday, Viper shareholders voted to approve the Drop Down and we closed the transaction shortly thereafter. As a reminder, Diamondback sold Endeavor's mineral and override assets to our subsidiary Viper Energy, Inc. in a transaction valued at approximately $4.45 billion at the time of announcement. Diamondback received $1 billion in cash and 69.6 million units of Viper's operating subsidiary. The cash proceeds were used to pay down near-term debt and the units received pushed Diamondback's ownership in Viper to 52% on a fully diluted basis. As we have stated previously, we view Viper as a one-of-a-kind mineral company, with an exciting trajectory that includes unique insight into the Diamondback drill-bit. We continue to believe in the long-term distribution growth potential at Viper, and our pro forma position is worth approximately $6.5 billion assuming Friday's stock price.

Balance Sheet
Pro forma for the close of the Double Eagle transaction, we had approximately $15.7 billion of gross debt and $15.1 billion of net debt on a consolidated basis as of March 31st, with ~$2.5 billion of liquidity at Diamondback.

We used the $1 billion in cash proceeds received as part of the consideration for the Drop Down to pay down our $900 million Term Loan due September of this year. We expect to further reduce our absolute debt levels through organic Free Cash Flow generation, non-core asset sales and strategic open market bond repurchases. As a reminder, we have committed to at least $1.5 billion of asset sales, which we expect will include sales of certain equity method investments, Endeavor's water infrastructure and non-operated assets.

On February 28th, MPLX announced it had signed a definitive agreement with affiliates of WhiteWater and Diamondback to purchase the remaining 55% interest in BANGL, LLC for $715 million. This equates to approximately $130 million for our 10% interest, with additional potential proceeds from an earn out mechanism tied to specific financial performance metrics. We expect this sale to close this summer.

Additionally, we have repurchased ~$220 million of principal of our long-dated bonds for approximately $167 million (including accrued interest), or 75.3% of par value so far in the second quarter. This approach to debt repurchases mirrors our approach on the equity side, opportunistic repurchases at a value discount.

Balance sheet strength is a core tenet of Diamondback's strategy. We continue to have a near-term goal of reducing consolidated net debt to $10 billion and are targeting long-term consolidated net debt of $6 to $8 billion. We do not see debt reduction and share repurchases as mutually exclusive and believe we can execute both. We will allocate a higher percentage of capital to repurchases should commodity price volatility persist or increase. By lowering activity and cutting CAPEX, we also have the ability to pay down debt simultaneously.

Closing
Later this month at Diamondback's 2025 Annual Meeting, I will move into my role as Executive Chairman. I will still be an employee of the Company and will continue to provide advice and guidance to our management team, which will be led by Kaes Van't Hof as CEO. Kaes is a generational talent who I have been fortunate enough to have worked with closely for the past decade. The company is in great hands, and the future could not be brighter for Diamondback.

It doesn't seem that long ago when I was working on a laptop in the kitchen of a small metal field office trying to figure out how to get the company off the ground. It took quite a few twists and turns, but we were able to IPO in October 2012 at a $500 million valuation producing just 3,000 BOE/d. There were some really tough days early on, but as they say – you can't climb a smooth mountain. We were able to survive those first couple of years, move to a period of success and, after multiple large transactions, become significant. Today, we are the largest Permian pure play and the second largest oil producer in the Permian Basin, a size and scale we never dreamed of when we started the Company.

I am so proud of our employees who made this growth possible. Their passion, resilience, and commitment to excellence have shaped our identity and have allowed us to become what we are today. We have the best organization in the industry with a culture where good is never good enough. It is amazing to watch this drive in action and see it translate to the results we deliver quarter in and quarter out.

Thank you to all our employees, past and present, who have put their support in me and Diamondback, trusting us to help you reach your career goals and aspirations. Each of you has been an inspiration to me and it has been such a privilege leading you the past fifteen years.
We are fortunate to have an exceptional Board of Directors, a group who not only helped shape our long-term strategy but also stood firmly behind management through both our greatest successes and our most challenging moments. Their guidance has been instrumental in the Company's growth and evolution.

I am especially grateful to Steve West, our Chairman during our formative first decade. His strategic vision, his steady leadership and, above all, his

enduring friendship have left a lasting imprint on both the Company and me personally. Words fall short in expressing the depth of my appreciation for all he has contributed.

Thank you to our stockholders for believing in us when very few did and supporting us all these years. I am so proud of the Company we have built and the track record of success we have created. We are blessed to live in a country and operate in a state where entrepreneurial spirit is encouraged and nurtured, a place where companies like Diamondback can become the next great American success story.

Sincerely,

Travis D. Stice
Chairman of the Board and Chief Executive Officer

Investor Contact:
Adam Lawlis
+1 432.221.7467
alawlis@diamondbackenergy.com

Forward-Looking Statements:

This letter contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended, which involve risks, uncertainties, and assumptions. All statements, other than statements of historical fact, including statements regarding future performance; business strategy; future operations (including drilling plans and capital plans); estimates and projections of revenues, losses, costs, expenses, returns, cash flow, and financial position; reserve estimates and its ability to replace or increase reserves; anticipated benefits or other effects of strategic transactions (including the recently completed Endeavor merger and other acquisitions or divestitures); the expected amount and timing of synergies from the Endeavor merger; and plans and objectives of management (including plans for future cash flow from operations and for executing environmental strategies) are forward-looking statements. When used in this letter, the words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "guidance," "intend," "may," "model," "outlook," "plan," "positioned," "potential," "predict," "project," "seek," "should," "target," "will," "would," and similar expressions (including the negative of such terms) are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Although Diamondback believes that the expectations and assumptions reflected in its forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond Diamondback's control. Accordingly, forward-looking statements are not guarantees of future performance and actual outcomes could differ materially from what Diamondback has expressed in its forward-looking statements.

Factors that could cause the outcomes to differ materially include (but are not limited to) the following: changes in supply and demand levels for oil, natural gas, and natural gas liquids, and the resulting impact on the price for those commodities; the impact of public health crises, including epidemic or pandemic diseases and any related company or government policies or actions; changes in U.S. energy, environmental, monetary and trade policies, including with respect to tariffs or other trade barriers, and any resulting trade tensions; actions taken by the members of OPEC and Russia affecting the production and pricing of oil, as well as other domestic and global political, economic, or diplomatic developments, including any impact of the ongoing war in Ukraine and the Israel-Hamas war on the global energy markets and geopolitical stability; instability in the financial markets; concerns over a potential economic slowdown or recession; inflationary pressures; higher interest rates and their impact on the cost of capital; regional supply and demand factors, including delays, curtailment delays or interruptions of production, or governmental orders, rules or regulations that impose production limits; federal and state legislative and regulatory initiatives relating to hydraulic fracturing, including the effect of existing and future laws and governmental regulations; physical and transition risks relating to climate change; those risks described in Item 1A of Diamondback's Annual Report on Form 10-K, filed with the SEC on February 26, 2025, and those risks disclosed in its subsequent filings on Forms 10-Q and 8-K, which can be obtained free of charge on the SEC's website at http://www.sec.gov and Diamondback's website at www.diamondbackenergy.com/investors.

In light of these factors, the events anticipated by Diamondback's forward-looking statements may not occur at the time anticipated or at all. Moreover, Diamondback operates in a very competitive and rapidly changing environment and new risks emerge from time to time. Diamondback cannot predict all risks, nor can it assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those anticipated by any forward-looking statements it may make. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements speak only as of the date of this letter or, if earlier, as of the date they were made. Diamondback does not intend to, and disclaims any obligation to, update or revise any forward-looking statements unless required by applicable law.

Non-GAAP Financial Measures

This letter includes financial information not prepared in conformity with generally accepted accounting principles (GAAP), including free cash flow. The non-GAAP information should be considered by the reader in addition to, but not instead of, financial information prepared in accordance with GAAP. A reconciliation of the differences between these non-GAAP financial measures and the most directly comparable GAAP financial measures can be found in Diamondback's quarterly results posted on Diamondback's website at www.diamondbackenergy.com/investors/. Furthermore, this letter includes or references certain forward-looking, non-GAAP financial measures. Because Diamondback provides these measures on a forward-looking basis, it cannot reliably or reasonably predict certain of the necessary components of the most directly comparable forward-looking GAAP financial measures, such as future impairments and future changes in working capital. Accordingly, Diamondback is unable to present a quantitative reconciliation of such forward-looking, non-GAAP financial measures to the respective most directly comparable forward-looking GAAP financial measures. Diamondback believes that these forward-looking, non-GAAP measures may be a useful tool for the investment community in comparing Diamondback's forecasted financial performance to the forecasted financial performance of other companies in the industry.

[1] According to Texas Independent Producers & Royalty Owners Association (TIPRO) 10th edition of its "State of Energy Report"

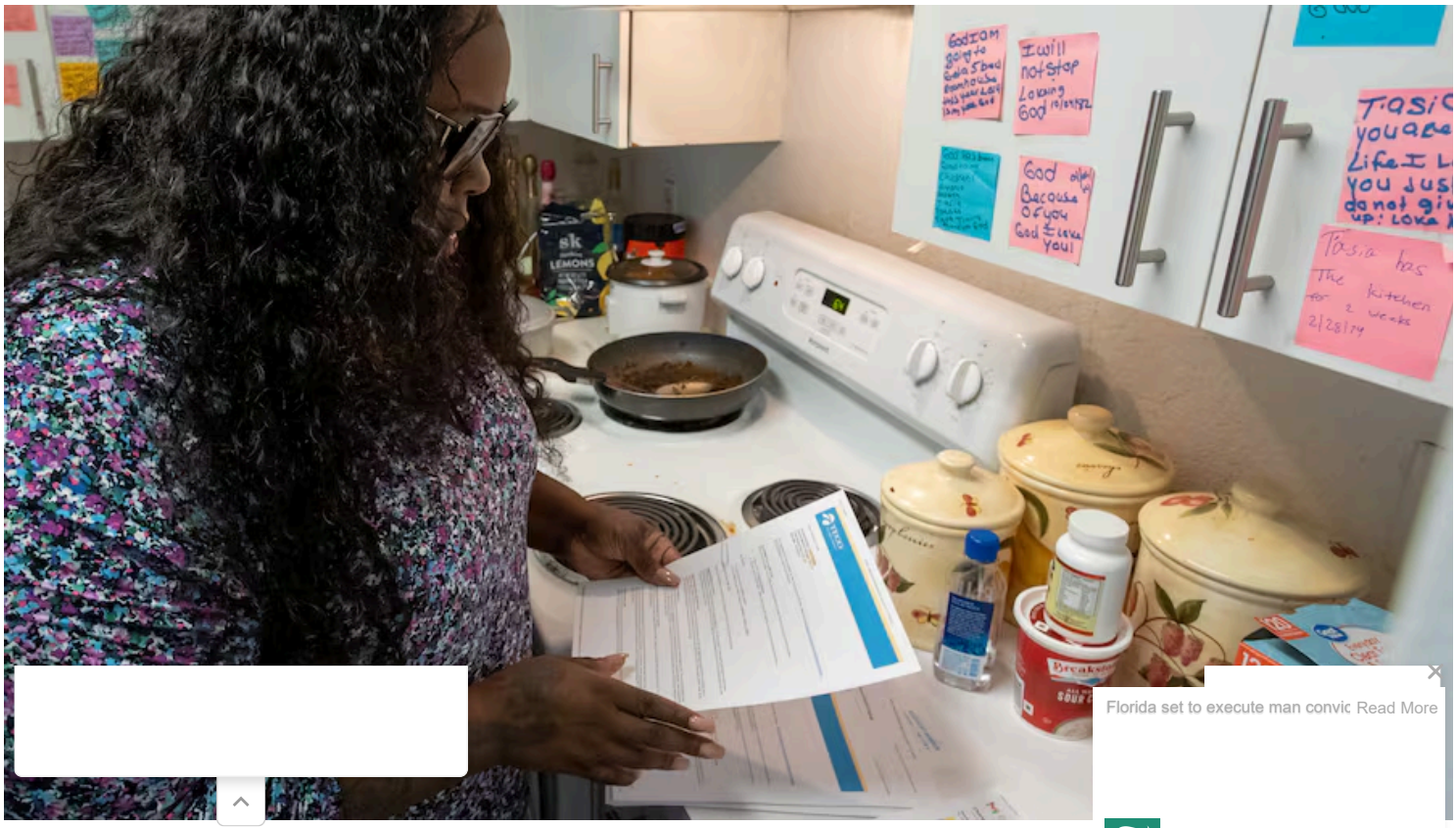
DIAMONDBACK ENERGY

Source: Diamondback Energy, Inc.

NEWS / **BUSINESS**

Florida electric bills skyrocketed recently. Here's why.

Residents are struggling to meet higher costs amid hotter temperatures.



Krystal Pate looks at printouts of her electric bills in her apartment on April 19 in Tampa. [LUIS SANTANA | Times]

to put a dent in her growing balance with Tampa Electric.

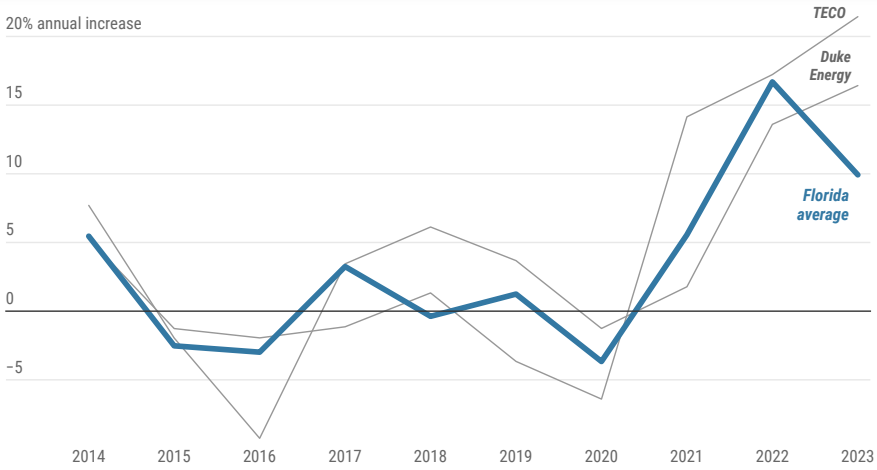
Housing and grocery prices were already rising when recent hikes in Pate's electricity bills added pressure. Last year, Pate often spent well over $300 a month to power her three-bedroom apartment in South Tampa, where she lives with her five kids.

A faulty air conditioning unit added more stress. One month her bill climbed to $455.

In recent years, Floridians experienced a dramatic spike in energy costs, according to a Tampa Bay Times analysis of data from the U.S. Energy Information Administration. Two years ago, energy prices in the state jumped about 17% and kept rising, contributing to a surge in cost-of-living expenses in the region made worse by higher inflation. Those who feel the effects most deeply were already struggling.

After a hip and leg injury years ago, Pate has had trouble working, she said. Her family depends mostly on her oldest son's wages busing tables at the Westshore Yacht Club to pay the bills.

"Even talking about it breaks my heart because it's hard to live," she said. "Putting this on my son, it's not fair."



Annual percent increase based on average cost per customer, expressed as cents per kilowatt-hour.
TEGHAN SIMONTON | Times • Source: U.S. Energy Information Administration

What's driven the cost hikes

Last year, Florida's energy bills were the fourth-highest in the nation, the Times found, up from 13th a decade before. Customers paid an average of about $168 a month.

Numerous factors contribute to the costs energy companies pass on to consumers, but in recent years the volatility of natural gas prices have been critical.

Two decades ago, natural gas surpassed coal as the No. 1 fuel burned to create electricity in Florida, and its use has taken off since. Now 74% of the state's electricity is generated from natural gas — nearly twice the national average. As a result, Florida produces less electricity from coal and renewable sources than many other states.

Tampa Bay's leading energy providers maintain the fuel is a reliable and efficient energy source that plays an important role in Florida. Both Tampa Electric and Duke Energy noted the companies are steadily enhancing production of solar energy and investing in ways to use less fuel.

Still, reliance on natural gas has made the state vulnerable to its cost fluctuat according to reports prepared for the Times by the Florida State University C for Economic Forecasting and Analysis.

"It is alarming to just see these prices keep rising markedly the last couple of years," she said. "It's like an apocalypse."

Complex factors, including the Russian invasion of Ukraine, contributed, Harrington said, as the U.S. banned the import of natural gas from Russia, a major global supplier. Abnormally high temperatures in the summer of 2022 and ramped-up worldwide economic activity following the pandemic also increased demand, researchers noted.

While the price of natural gas has begun to stabilize, some of the decreases since 2022 have still been for aberrant reasons. A fire at a key natural gas export facility in Texas forced the facility to shut down, which meant less domestic natural gas shipped overseas and more supply in the U.S. market, Harrington said.

"There was a convergence" of factors, she added, which means prices may continue to drop slowly, "until another catalyst gets it moving again."

The power plant at the TECO Big Bend Power Station, which can use either natural gas or coal, on April 11 in Apollo Beach. [JEFFEREE WOO | Times]

the price dropped, there has been a lag in translating that re
e Energy and Tampa Electric have twice filed paperwork with
state regulators to lower the amount customers pay for fuel, the full extent of which could be felt starting this summer, the companies said. Florida utilities not profit from fuel, passing the cost directly to consumers' bills.

Petersburg. "Our customers felt that directly. There are absolutely ways that we were trying to offset those, including continued investments in solar, which then helps to decrease the utilization of certain fuel sources. ... We'll continue to have 100% commitment to reducing those costs."

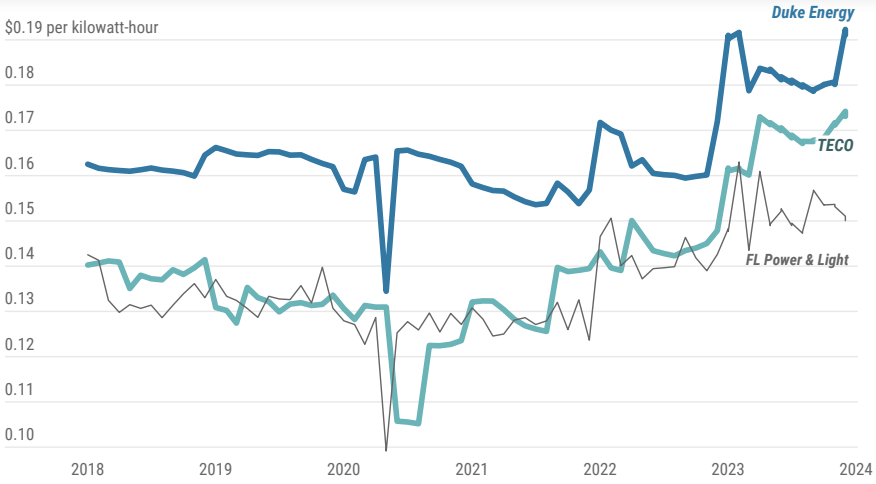
Some say utilities share the blame

Over a five-year period, the average Tampa Electric bill went up 51%, a Times analysis of federal data through 2023 shows. The average Duke Energy bill rose 28%.

Cherie Jacobs, a Tampa Electric spokesperson, noted the company temporarily reduced prices during the pandemic four years ago. But in subsequent years, data shows prices rose to unprecedented levels, and quickly. After reducing prices about 4% in 2020, the average TECO bill went up about 11% the next year — more than double the rate of annual change in any recent years.

Meanwhile, both companies have filed requests with state regulators to raise their customers' base rates — a major component of energy bills — by millions of dollars starting next year. The hikes must be approved by the Florida Public Service Commission, which is scheduled to hold hearings in Tampa Bay in June for local utility customers to weigh in.

The requests show how the utility companies bear some responsibility for the spike in bills, critics say.



Cost of electricity per customer. Expressed in December 2023 inflation-adjusted dollars.
TEGHAN SIMONTON | Times • Source: U.S. Energy Information Administration

Clean-energy advocates point out that Florida's grid would not be so vulnerable to fuel price swings if more of the state's energy came from renewable sources. There's no guarantee there won't be more turbulence in fossil fuel costs in the future, given multiple ongoing wars overseas.

In its request for a base rate increase, Duke Energy has noted that other costs for things like storm resilience will be expiring from customers' bills, predicting customers will pay less next January. Tampa Electric has said that dropping fuel costs could partially offset its request for increases.

Bradley Marshall, a lawyer with the environmental group Earthjustice, said these assertions are "true to a certain extent if you assume we're not going to get hit by any more storms or fuel costs are going to hit this new low and stay this low forever," he said. "Neither of those feel like safe assumptions."

Bradley Marshall, a lawyer with the environmental group Earthjustice, said these assertions are "true to a certain extent if you assume we're not going to get hit by any more storms or fuel costs are going to hit this new low and stay this low forever," he said. "Neither of those feel like safe assumptions."

Marshall is representing multiple groups opposing the two companies' cases before state regulators.

One reason both Duke and Tampa Electric have cited in their requests for

Both companies say their requested rates are necessary. Ana Gibbs, a Duke Energy spokesperson, said it "represents a just and reasonable cost." Interest rates have also gone up, "which makes it more expensive to run our business," Gibbs said.

Jacobs at Tampa Electric pointed to inflation, higher labor costs and interest rates. When a utility is financially healthy, it can borrow money at better rates, which benefits customers, she said.

Krystal Pate looks at a copy of one of her recent electric bills on April 19 in Tampa. [LUIS SANTANA | Times]

Jacobs added that last summer brought record temperatures. This meant air conditioners had to use more energy to keep homes cool — even if thermostats weren't lowered. Floridians already use more electricity than residents in other states because of air conditioning, she said.

"Those issues combined in 2023 as a 'perfect storm' and drove up power bills for our customers," Jacobs said.

Residents feeling the pinch

The communities most hard-pressed to pay their bills are often juggling several other risk factors, said Clara Reynolds, president and chief executive officer of the Crisis Center of Tampa Bay.

calling us, it is really the problem of the day that is pushing t
Reynolds said. "And it's in that conversation that we're really
at else is going on."

In Hillsborough County, pleas to the crisis center for assistance with electrici
and other utility bills nearly doubled in a single year. Over a one-year stretch

Krystal Pate's daughter Tierra Harris serves herself some rice in their apartment in Tampa on April 19. [LUIS SANTANA | Times]

"They have issues in the child welfare system; they have issues in the juvenile justice system," Reynolds said. "They have issues in the criminal justice system. There is unemployment, there's (barriers to) transportation. The ZIP codes that typically reach out for support — the light bill is just one issue in a myriad of issues going on in their lives."

St. Petersburg also received more than 3,600 applications for a new utilities assistance program with Duke Energy, less than a month after the initiative was announced in March. Three ZIP codes accounted for nearly three-fourths of the applications, all of which are in the southern part of the city, have a higher proportion of Black residents and more residents living below the poverty line than the Tampa Bay average.

In addition to having less money to pay bills, lower-income families tend to live in older properties that are less energy-efficient than new homes, research shows, which leads to higher costs.

When bills get tight in Jasna Ilisinovic's St. Petersburg home, there's never a question about which one rises to the top of the stack. Her husband has chronic obstructive pulmonary disease and relies on an oxygen machine to breathe — and the machine needs electricity. She marks the bill's due date on her calendar each month.

So when the couple owed more than $300 last summer, as their older air conditioning unit strained to cool their 1970s home during a record-hot July, they needed help. The Pinellas County Urban League agreed to pay that bill and the next month's, taking roughly $800 worth of stress off Ilisinovic, she said, who along with her husband receives disability benefits.

"Our electric bill is No. 1 because he can't live without it," Ilisinovic, 50, said, adding that they have tried to make their house more efficient with things like window curtains and new insulation. "Thank God for (the Urban League) to be here for us."

Krystal Pate, in her Tampa apartment, talks about rising utility costs on April 19. "There's people that don't have a roof, lights or working water, and they still manage," she said. [LUIS SANTANA | Times]

Pate, 42, is still searching for a solution. Her kitchen cabinets are checkered with y notes, each one thanking God or one of her five kids for insp

When her unpaid bills feel insurmountable, she reads the neon squares to fee centered. She aims to keep a grateful outlook, remembering that "there's peo that don't have a roof, lights or working water, and they still manage."

Teghan Simonton is a data reporter on the business and health team. Reach her at tsimonton@tampabay.com.

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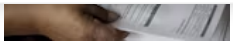

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NEWS / **BUSINESS**

Florida Power & Light seeks $9B rate hike with high shareholder profit

Affordability advocates said it is the largest rate hike request in U.S. history.

Florida Power & Light grid equipment is pictured in Fort Lauderdale. [Miami Herald file, 2016]

By **Emily L. Mahoney** *Times staff*

Published Feb. 28 | Updated Feb. 28

represents the largest rate hike request in U.S. history.

Base rates are a major component of electricity bills that also include other charges for things like hurricane repairs and fuel. Above that $9 billion, the company would also be able to add more hikes for solar and battery facilities it constructs during the period.

As part of the request, which was filed to state regulators Friday, the company is seeking a rate of shareholder profit with a midpoint of 11.9% — well above the national average. It's also higher than the profit rate sought by Tampa Electric last year, which the Legislature-appointed public advocate called "egregious" and "crushing" to customers.

"Rather than finding a fair balance between the needs of customers and their own operations, FPL has chosen to prioritize profit margins," said Zayne Smith, senior director of advocacy at AARP Florida, which represents residents over 50. "This decision threatens to place undue financial strain on households already grappling with rising living costs."

Florida Power & Light serves about 12 million people in the state, including in Manatee County. As the largest utility not just in Florida but in the entire country, it's an influential player in pursuing policies that other companies, like Duke Energy and Tampa Electric, often follow.

Florida Power & Light President and CEO Armando Pimentel said in a statement Friday that the rate hike request was necessary and responsible.

"The balanced plan we submitted to the (Florida Public Service Commission) [illegible]L to continue to make smart investments in the grid and in new [illegible]urces to benefit our customers and to power our fast-growing [illegible]No other utility in the U.S. provides a better combination of reliability, resiliency and low bills than FPL."

Under the company's proposal, typical residential customers would pay roughly $12 more monthly next year for their base rates. The rates would then keep increasing each year for four years. That means in 2027, the monthly hike would rise to about $19, adding up to hundreds more annually.

Friday's filings did not include monthly estimates for bills in 2028 and 2029.

These increases do not include other parts of power bills that could also fluctuate, such as the way Florida Power & Light customers are paying a fee of about $12 per month on this year's bills for costs associated with 2024 hurricanes.

"Families shouldn't have to decide between turning on the A/C and affording their groceries for the month," said Brooke Ward, senior Florida organizer with the environmental group Food & Water Watch, in a statement. "Gov. DeSantis' Public Service Commission must oppose this egregious ask."

Friday's filing is one step in what will likely be a yearlong process for this case to be evaluated by regulators in the Public Service Commission. Those regulators, all appointed by the governor, just finished approving base rate hikes for Tampa Electric and Duke Energy last year.

Florida Power & Light's rate case comes at a time when the Public Service Commission is under the microscope of other prominent conservatives, which could impact how the regulators approach this request. Last year, the chief justice of the Florida Supreme Court, Carlos Muñiz, called the commission "a black box" because of what he said is insufficient transparency about how they make decisions.

Additionally, a prominent state Republican lawmaker, Sen. Don Gaetz, has filed a bill that would dramatically curb utilities' ability to request profit margins like the one Florida Power & Light is pitching. Gaetz said executives from the company have already met with him to lobby against the bill.

y L. Mahoney is the energy reporter. Reach her at emahoney@tampabay.com.

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Florida Power & Light Requests Largest Rate Increase In U.S. History

If DeSantis' PSC approves, nearly 5.3 million households will see higher electricity bills over the next 4 years

Today, Florida Power & Light (FPL) filed a **Petition for Rate Increase** across their 43 county service area to increase rates by $8.961 billion over the next four years in base rates. FPL customers are already paying over $400 more annually than they were 5 years ago. The proposed rate increase would potentially add **an additional $11.52 per month increase in base rates to the 1000kWh residential customer in 2026**, increasing to **$18.57 more per month in 2027**, a 22% increase — or $360 more — over the next two years. Additional rate hikes are expected in 2028 and 2029.

n 2021, FPL was awarded the largest utility increase in Florida history at **$5 billion**. The rate hike filed today is nearly double that amount.

This is the largest rate hike request in United States history, impacting nearly 12 million people. The historic move from one of America's biggest power utility operators is the latest in a string of unpopular corporate utility rate cases in Florida, hotly contested by residents demanding a transition off volatile, costly fossil fuels. Florida utilities today are reliant on fossil fuels, whose costs are volatile and rely on expensive infrastructure. Fracked gas is used to produce 73% of FPL's energy.

FPL is also requesting a return on equity of 11.9% — well over the **national industry average of 9.6%.** A "return on equity" (ROE) refers to the percentage of profit a utility company generates relative to the amount of money invested by shareholders, essentially representing the return investors receive on their equity stake. Last year, Duke and Tampa Electric were awarded ROEs well below that threshold.

Brooke Ward, Senior Florida Organizer with Food & Water Watch said:

"Floridians across the state want affordable, clean energy and deserve leadership that will prioritize that. Instead, Gov. DeSantis and greedy utilities expect Floridians to bankroll an unsustainable fossil fuel reliance and pad corporate profits. We need to see leadership that advocates for an affordable future because if FPL's ask is approved, it's going to wreak havoc on millions of families struggling to survive. Families shouldn't have to decide between turning on the A/C and affording their groceries for the month. Governor DeSantis' Public Service Commission must oppose this egregious ask."

“This would be the largest rate increase in United States history, and that’s why we’re fighting it,” said **Bradley Marshall, Senior Attorney with Earthjustice, representing Florida Rising, LULAC, and ECOSWF.**

Chelsea Rivera, Policy Organizer at Central Florida Jobs with Justice stated, “Floridians work hard to keep their families healthy and safe, but the rising prices of property insurance, utility bills, and overall cost of living means many of us are struggling to put food on the table and keep our lights on. Increasing utility rates will increase the financial burden on our already-struggling communities. We demand that the PSC and policymakers intervene on behalf of hardworking families across the state and deny FPL’s greed-motivated rate hike request.”

“Florida Power & Light (FPL) has proposed yet another rate increase, a move that will place additional financial burdens on consumers and communities across the state. At a time when many families are already struggling with the rising cost of living, higher utility bills will only add to their economic hardships, forcing difficult choices between essential expenses like food, healthcare, and housing,” said **Mary Gutierrez**, **Scientist and Director for Earth Ethics**, **Inc.** “This reason, among others, is why FPL’s request for a rate increase must be thoroughly scrutinized to ensure that it serves the public good rather than corporate profits. We urge regulators and policymakers to prioritize the well-being of Florida residents and explore alternative solutions that promote affordable, sustainable, and equitable energy policies.”

“Florida Power & Light’s rate hike will impact low-income households and struggling small businesses the hardest. For more than a decade, hardworking Floridians have not seen changes in their wages, yet the cost of living has steadily increased. While our communities struggle to make ends meet on the same income, they also face more frequent heat waves and cold fronts, leading to skyrocketing electric utility bills,” said **Maria Claudia Schubert Fontes, Climate Justice Manager for Catalyst Miami.** “This rate case further burdens Florida households as they will be forced to pay well over their fair share to subsidize the rates paid by commercial and industrial customers. We are calling on the Governor and PSC to ensure they listen to the needs of residential utility customers.”

“FL Power and Light is once again asking for an outrageous rate of profit in their requested rate increase,” said **Christian Wagley, Coastal Organizer for Healthy Gulf in Pensacola, FL**. “Residents of NW Florida are already suffering under FPL’s rates that have remained among the very highest in the state for the past three years, even after the utility promised us that our bills would go down when they took over Gulf Power Co. in 2022.”

Yoca Arditi-Rocha, Executive Director of The CLEO Institute added, “Monopoly utilities should not be making excessive profits at the expense of families and businesses struggling to make ends meet. For FPL’s Panhandle customers, this historic rate hike request is on top of a 64% increase from 2020-2023 which occurred after FPL bought Gulf Power. We need our leaders to stand up for people suffering in this affordability crisis. Keeping the lights on is a necessity not a luxury.”

“FPL’s proposed rate increase is a clear attempt to prioritize corporate profits over the well-being of Florida’s residents. At a time when students are already burdened with rising tuition costs and families are struggling to make ends meet, this hike will only push essential needs out of reach for those who need them most,” said **Alyssa White,Climate Justice Organizer with Florida Student Power Network** “With record profits already in hand, FPL’s focus remains on enriching shareholders rather than serving the people. We cannot allow corporate greed to dictate the future of our communities. It’s time to put people first and reject this unjust rate increase.”

Press Contact: Grace DeLallo gdelallo@fwwatch.org

The New York Times | https://www.nytimes.com/2022/05/03/business/energy-environment/high-electric-bills-summer.html

Get Ready for Another Energy Price Spike: High Electric Bills

Rates have jumped because of a surge in natural gas prices and could keep rising rapidly for years as utilities invest in electric grids.

By Ivan Penn

May 3, 2022

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Already frustrated and angry about high gasoline prices, many Americans are being hit by rapidly rising electricity bills, compounding inflation's financial toll on people and businesses.

The national average residential electricity rate was up 8 percent in January from a year earlier, the biggest annual increase in more than a decade. The latest figures, from February, show an almost 4 percent annual rise, reaching the highest level for that month and approaching summer rates, which are generally the most expensive.

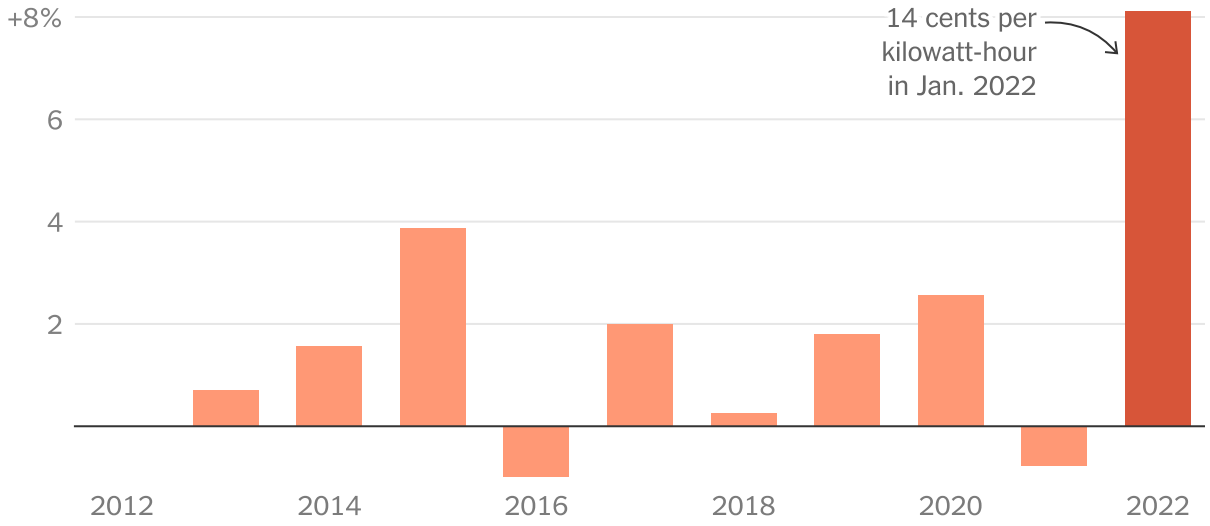
In Florida, Hawaii, Illinois and New York, rates are up about 15 percent, according to the Energy Department's latest figures. Combined with a seasonal increase in the use of electricity as people turn on air-conditioners, the higher rates will leave many people paying a lot more for power this summer than they did last year.

The immediate reason for the jump in electric rates is that the war in Ukraine has driven up the already high cost of natural gas, which is burned to produce about 40 percent of America's electricity. And supply chain chaos has made routine grid maintenance and upgrades more expensive.

What is particularly worrisome, energy experts said, is that these short-term disruptions could be just the start. They fear that electricity rates will rise at a rapid clip for years because utilities and regulators are realizing they need to harden electric grids against natural disasters linked to climate change like the winter storm that left Texas without power for days last year. Power companies are also spending more on new transmission lines, batteries, wind turbines, solar farms and other gear to reduce greenhouse gas emissions.

The Rising Price of Home Electricity in the U.S.

Year-over-year change in average prices in January each year



Source: U.S. Energy Information Administration • By The New York Times

U.S. utilities could spend hundreds of billions of dollars in the coming years to repair and upgrade grids.

Almost all of those costs will filter down to monthly electric bills.

“This is an affordability emergency,” said Mark Toney, executive director of The Utility Reform Network, or TURN, which represents ratepayers in California, where rates in February were up 12 percent from a year earlier and utilities are asking regulators to approve further increases. “If you want to control inflation, one of the things you have to control is energy costs.”

Natural gas prices have surged in recent months as U.S. producers have sent more fuel to Europe, which wants to use less Russian gas. Utilities in a few places, like Hawaii and Puerto Rico, rely on some power plants fueled by oil, which has also become much more expensive. The price of coal, which accounts for roughly 20 percent of U.S. electricity, has gone up, too.

The Biden administration has been urging the industry to produce more oil and natural gas, but energy experts say it could take a year or two to significantly increase supplies.

Demand for electricity is also rising because of climate change. The National Weather Service expects this summer to be hotter than average in most of the country. People who can least afford higher bills could feel the pain the most because most moratoriums on power shut-offs during the pandemic have ended. Last month, the White House sought to soften the blow of higher bills by making hundreds of millions of dollars available for home energy assistance.

“Consumers are going to pay the price for this,” said Gordon van Welie, chief executive of ISO New England, the electric grid operator in the Northeast, where electric rates are among the highest in the country. “The reality is we’re going to be dependent on gas for a very long time.”

How Home Electricity Rates Have Changed Around the U.S.

Cents per kilowatt-hour

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State	January 2021	January 2022	Percent Change
Hawaii	$0.31	$0.37	23%
Louisiana	$0.10	$0.11	17%
New York	$0.18	$0.21	15%
Florida	$0.12	$0.13	15%
Kentucky	$0.10	$0.12	14%
Oklahoma	$0.09	$0.10	14%
Massachusetts	$0.22	$0.25	13%
New Hampshire	$0.19	$0.21	12%
Nevada	$0.12	$0.13	12%
Colorado	$0.12	$0.14	12%
Maine	$0.17	$0.18	11%
Tennessee	$0.10	$0.12	11%
California	$0.21	$0.24	10%
Arkansas	$0.09	$0.10	10%
Virginia	$0.11	$0.12	10%
Indiana	$0.12	$0.13	9%
Pennsylvania	$0.13	$0.14	8%

Note: Rates have been rounded to the nearest cent. • Source: Energy Information Administration • By The New York Times

Even the cost of wind turbines and solar panels, which had been falling for years, has risen recently because of supply chain problems. But analysts said that over the next decade those renewable sources should help tamp down energy costs, reducing the toll that volatile oil, natural gas and coal prices can take on family budgets and business profits.

The problem is that building new wind and solar installations and the related power lines and batteries will have an upfront cost.

“Wind, solar and hydro are exactly what you need,” said Mark Cooper, a senior fellow for economic analysis at the Institute for Energy and the Environment at Vermont Law School. “We should have been much further along in the transition, which we haven’t been.”

Relying more on the grid

Residents of Massachusetts and other New England states have long endured some of the highest electricity rates in the country. Then in January, rates jumped again. And government forecasters say summer temperatures in the Northeast will be far above normal.

Natural gas sells for about two to three times as much as it did two or three years ago, when a glut sent prices tumbling. New England faces an additional challenge: It does not have enough pipeline capacity to import the fuel from producers like Texas or Pennsylvania.

Some cities and towns in Massachusetts are trying to rely less on gas, including by seeking to ban its use in new buildings. Local and state officials want builders, homeowners and businesses to switch to greener technologies like heat pumps, which operate on electricity, rather than a furnace powered by natural gas or oil. Massachusetts is also encouraging people to buy electric cars to reduce gasoline use.

While those technologies use less energy than furnaces and gasoline cars, they place new demands on the electricity network, forcing utilities to build more wind and solar farms and power lines, Mr. van Welie said. “You’re putting more and more of your eggs in the same basket, which is the grid,” he said.

As utilities spend more, rates will climb further. The national average residential electricity rate in the first two months of the year was nearly 14 cents per kilowatt-hour. In Massachusetts the average exceeded 25 cents in February. Hawaii topped all 50 states at more than 38 cents.

The Energy Information Administration, a federal agency, forecasts that rates a year from now will average about 15 cents a kilowatt-hour, or $150 a month for the typical household that uses 1,000 kilowatt-hours.

Power companies are spending more on new transmission lines, batteries, wind turbines, solar farms and other gear to reduce greenhouse gas emissions. Mason Trinca for The New York Times

Some people find that it can be hard to escape high energy bills, even when they conserve.

Thomas Popik moved to Arlington, Mass., a Boston suburb, from New Hampshire in December after buying a home that uses a heat pump. But Massachusetts's electricity rates are so much higher than in New Hampshire, where they averaged about 22 cents per kilowatt-hour in February, that his monthly bills are about the same in a more efficient home.

Mr. Popik plans to add solar panels to further reduce his costs and environmental footprint. And if electricity rates continue to climb and service is unreliable during bad weather, he said, he may disconnect from the grid — an approach embraced by some residents of California.

“You’re going to see more and more people doing that kind of thing, especially if rates become unreasonable,” said Mr. Popik, who is the chairman and president of the Foundation for Resilient Societies, a nonprofit group that focuses on critical equipment and services like electricity, fuel, telecommunications and aviation. “Solar, battery, backup generator — under that paradigm, why should I be charged high electricity rates?”

Utility executives said they understood that growing frustration. Mr. van Welie of ISO New England said federal and state officials needed to come up with policies that lowered the cost of energy, including by using renewable energy more efficiently.

But in a highly polarized political system, there are few energy reforms that can win bipartisan support. President Biden’s signature energy and climate proposal has stalled in Congress because the measure has no Republican backing and Democrats have a narrow majority.

“It’s going to require government and regulatory direction, and that’s hard to get here in the U.S.,” Mr. van Welie said.

Renewable energy could help lower costs

Rates in the first two months of the year were lower than a year earlier in fewer than a dozen states. Most were in the Midwest and Northwest — areas that rely extensively on wind or hydroelectric power, which tend not to be affected by the swings of global commodity markets.

In Oregon, for example, electric rates fell almost 1.5 percent in January and less than 1 percent in February, though some companies like Portland General Electric did raise rates modestly. Even so, rates at that utility remain well below the national average. The utility, the largest in the state, gets about 20 percent of its electricity from hydroelectric dams, 13 percent from wind turbines and 2 percent from solar panels.

The utility has also recently installed software to improve its ability to incorporate energy from sources like rooftop solar panels and batteries on a neighborhood-by-neighborhood and business-by-business basis. This gives the company more control and flexibility.

Many electric grid operators and utilities have not invested in such tools and cannot monitor and control small energy systems to choose — the lowest-cost renewables over the course of the day, taking into account whether the sun is shining and wind is blowing.

“We have been focused on renewable energy for over a decade, leveraging technologies to allow us to integrate ever-increasing amounts of renewables at the lowest cost for customers,” Maria M. Pope, the chief executive of Portland General, said in an interview.

In much of the United States, utilities are fighting the growth of rooftop solar. Regulators in California have proposed greatly reducing incentives for residential solar systems, though the measure has stalled because of opposition from the solar industry and homeowners. In Florida, Gov. Ron DeSantis recently vetoed a bill backed by utilities that would have effectively gutted incentives for rooftop panels.

Still, utility executives said they were cognizant that they couldn’t just keep raising rates, especially as more people used the grid to power electric cars and heat pumps.

Overall, the greater reliance on the electric grid will reduce costs, said Richard McMahon, senior vice president energy supply and finance at the Edison Electric Institute, a utility industry group. Electric cars and heat pumps, for example, will require less maintenance, do away with fill-ups at gas pumps and reduce heating bills.

“Customers are going to need to think bigger picture: What’s my total energy costs?” Mr. McMahon said.

The Energy Information Administration expects average electricity rates to fall to about 10.5 cents per kilowatt-hour by 2030 and roughly 10 cents by 2050 because of a greater use of renewable energy.

“This is a race between getting to the future and being stuck in the past,” said Mr. Cooper, the senior fellow at the Vermont Law School. “The future is less expensive.”

A correction was made on May 3, 2022*: An earlier version of a chart with this article misstated the average price of electricity by state. The average cost is calculated in cents per kilowatt-hour, not dollars per kilowatt-hour.*

Ivan Penn is a Los Angeles-based reporter covering alternative energy. Before coming to The Times in 2018 he covered utility and energy issues at The Tampa Bay Times and The Los Angeles Times.

A version of this article appears in print on , Section B, Page 1 of the New York edition with the headline: Red-Hot Summer Approaches Electric Bills Are Latest to Spike