



Summary of Legislation and Regulations Included in the Annual Energy Outlook 2026

April 2026

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The version of the National Energy Modeling System (NEMS) used for our *Annual Energy Outlook 2026* (AEO2026) generally represents legislation, environmental regulations, and international protocols, including recent government regulations as of December 2025. Impacts of legislation, executive actions, regulations, or judicial rulings occurring after this date are not reflected in AEO2026 and will be addressed to the extent possible in subsequent EIA outlooks. The potential effects of proposed federal and state legislation, regulations, or standards are not reflected in the Counterfactual Baseline case. In addition, the Counterfactual Baseline case does not reflect sections of legislation that have been enacted but have not been funded or lack implementation regulations. A list of the federal and selected state legislation and regulations included in AEO2026, including how we incorporated them, is provided in each module's documentation. This document provides an overview of all the relevant regulations and includes summary tables that represent both new and existing legislation and regulations, as of December 2025, represented in NEMS.

In addition to the Counterfactual Baseline, AEO2026 features 10 *side cases*. The Alternative Transportation case, the Alternative Electricity case, and the Alternative Electricity-Alternative Transportation Combination case do make assumptions about certain regulations. For more details, see the [AEO2026 Case Descriptions](#).

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Updated Laws and Regulations Reflected in the *Annual Energy Outlook 2026 (AEO2026)* Counterfactual Baseline Case

Legislative and regulatory provisions that have been updated since AEO2025 are briefly described below. For a list of all laws and regulations included in AEO2026, see the Summary: Existing and New Federal and State Legislation and Regulations in the *Annual Energy Outlook 2026* table, included in the next section. All AEO2026 cases use the macroeconomic outlook from S&P Global Market Intelligence as of August 2025.

The [One Big Beautiful Bill Act \(OBBBA\)](#) was passed on July 4, 2025. It modifies several provisions of laws incorporated in AEO2023 and AEO2025, such as:

- Changing the project online requirement for a production tax credit of up to \$3.00 per kilogram of hydrogen to producers of clean hydrogen (IRA Section 45V) from 2033 to 2027
- Increasing the tax credit for carbon dioxide (CO₂) used for enhanced oil recovery to \$85 per metric ton (IRA Section 45Q tax credit, a subsidy for carbon sequestration)
- Terminating tax credits for qualified zero-carbon generators in Sections 45Y and 48E of the IRA earlier (Under OBBBA, the deadline to be placed in service for wind and solar facilities is now 2027, and for other technologies, phase out begins in 2033.)
- Terminating several transportation-related tax credits earlier, including the Clean Vehicle Credit (Section 30D), Qualified Commercial Clean Vehicles Credit (Section 45W), and Alternative Fuel Vehicle Refueling Property Credit (Section 30C)

Other major federal legislation included:

- H.J. Res.87 became [Public Law 119-15](#) on June 12, 2025. Congress disapproved the waivers issued by the U.S. Environmental Protection Agency (EPA) for several California regulations, including the Advanced Clean Trucks (ACT) rule. Therefore, the ACT is not enforced in the Counterfactual Baseline (CB) case or any of the side cases in AEO2026.
- H.R.1 became [Public Law 119-21](#) on July 4, 2025. Section 40006 set civil penalties for noncompliance with National Highway Traffic Safety Administration (NHTSA) Corporate Average Fuel Economy (CAFE) standards to \$0. Therefore, light-duty vehicle CAFE standards are not enforced in the CB case or any side cases in AEO2026. As discussed in the case descriptions, EPA's [2024 multi-pollutant emission standards](#), which cover similar portions of the fleet, are modeled in all cases except the Alternative Transportation case and the Alternative Electricity-Alternative Transportation Combination case.
- In 2024, EPA finalized its Section 111 of the Clean Air Act (CAA) regulating CO₂ emissions from existing coal, oil, and natural gas-fired steam generating units and new natural gas-fired combustion turbines in the [Greenhouse Gas Standards and Guidelines for Fossil Fuel-Fired Power Plants](#) rule. This policy was first represented in AEO2025. Although there has been a [proposal](#) to repeal parts of this policy, no final ruling had been made before the policy cutoff date for AEO2026, and therefore, no changes were made to the core cases. The

Alternative Electricity case explores the repeal of CO₂ emissions regulations in the power sector.

- The U.S. government introduced tariffs on nearly all trade partners beginning on April 2, 2025, with several subsequent modifications to tariffs occurring throughout the year. Although some anticipated effects of these tariffs were captured through AEO’s macroeconomic indicators, product-specific changes, such as tariff-related price increases to U.S. solar panels or batteries, were not included in AEO2026.
- Several Presidential Executive Orders were signed related to the energy sector in 2025:
 - On January 20, 2025, President Donald J. Trump issued [an order to halt permit and leases for offshore wind projects](#), potentially conflicting with state offshore wind mandates. To account for this in AEO2026, we delayed offshore wind mandate deadlines and also constrained the required capacity for each target based on land availability not including federal lands.
 - Other Executive Orders, including those for [nuclear](#) and [coal](#), were not included in AEO2026 due to insufficient information regarding implementation details needed for modeling.

Summary: Existing Federal and State Legislation and Regulations in the AEO2026 Counterfactual Baseline Case

Residential sector

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A.	National Appliance Energy Conservation Act of 1987 (NAECA1987)	Requires the Secretary of Energy to set minimum efficiency standards for various appliance categories with periodic updates	Increase efficiency of new appliance purchases in the residential sector	Public Law 100-12
	a. Room air conditioners	In 2027, set standards for room air conditioners	Increase efficiency of new room air conditioners	Federal Register Notice of Final Rulemaking
	b. Central air conditioners and heat pumps	In 2023, set standards for central air conditioners and heat pumps	Increase efficiency of new central (or <i>other</i>) air conditioners	Federal Register Notice of Final Rulemaking
	c. Water heaters	In 2029, set standards for water heaters	Increase efficiency of new water heaters	Federal Register Notice of Final Rulemaking
	d. Refrigerators and freezers	In 2030, set standards for refrigerators and freezers	Increase efficiency of new refrigerators and freezers	Federal Register Notice of Final Rulemaking
	e. Dishwashers	In 2027, set standards for dishwashers	Increase efficiency of new dishwashers	Federal Register Notice of Final Rulemaking
	f. Fluorescent lamp ballasts	In 2014, set standards for fluorescent lamp ballasts	Increase efficiency of new fluorescent lamp ballasts	Federal Register Notice of Final Rulemaking
	g. Clothes washers	In 2028, set standards for clothes washers	Increase efficiency of new clothes washers	Federal Register Notice of Final Rulemaking
	h. Furnaces	In 2029, set standards for furnaces	Increase efficiency of new furnaces	Federal Register Notice of Final Rulemaking
	i. Clothes dryers	In 2028, set standards for clothes dryers	Increase efficiency of new clothes dryers	Federal Register Notice of Final Rulemaking

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
j. Boilers	In 2021, set standards for boilers	Increase efficiency of new boilers	Federal Register Notice of Final Rulemaking Public Law 102-486
B. Energy Policy Act of 1992 (EPACT1992)			
a. Building codes	For the International Energy Conservation Code (IECC) 2006, specifies whole house efficiency minimums	All states adopt the IECC 2006 code by 2017	Trend of states' adoption of codes, allowing for lead times for enforcement and builder compliance
b. Various lighting types	In 2012, set standards for various lighting types	Increase efficacy of various new lighting types	Federal Register Notice of Final Rulemaking Public Law 109-58
C. Energy Policy Act of 2005 (EPACT2005)			
a. Torchiere lamp standard	In 2006, set standards for torchiere lamps	Increase efficacy of new torchiere bulbs	Federal Register Notice of Final Rulemaking
b. Compact fluorescent lamp standard	In 2006, set standards for compact fluorescent lamps	Increase efficacy of new compact fluorescent bulbs	Federal Register Notice of Final Rulemaking
c. Ceiling fan and light kit standard	In 2019, set standards for ceiling fans and in 2020 for ceiling fan light kits	Miscellaneous and lighting electricity consumption for new ceiling fans and ceiling fan light kit drops by the required amount	Overall savings determined by number of ceiling fan shipments and estimated kilowatthour (kWh) savings per unit
d. Dehumidifier standard	In 2019, set standards for dehumidifiers	Dehumidifier electricity consumption drops by the required amount	Overall savings determined by number of dehumidifier shipments and estimated kWh savings per unit
e. Energy-efficient equipment tax credit	Provides tax credits to purchasers of certain energy-efficient equipment in 2006 and 2007	Cost of applicable equipment drops by the required amount	Federal Register Notice of Final Rulemaking
f. New home tax credit	Provides \$1,000 or \$2,000 tax credit to builders if they construct homes that are 30% or 50%, respectively, more efficient than code in 2006 and 2007	Shell package cost for these homes drops by the required amount	Cost reductions to consumers are assumed to be 100% of the builder's tax credit
g. Energy-efficient appliance tax credit	Provides tax credits to producers of energy-efficient refrigerators, dishwashers, and clothes washers for each unit they produce that meets certain efficiency specifications	Cost savings passed on to the consumer, reducing the price of the appliance by the required amount	Cost reductions to consumers are assumed to be 100% of the producer's tax credit
D. Energy Independence and Security Act of 2007 (EISA2007)			Public Law 110-140
a. General service incandescent lamp standard	From 2012 to 2014, required less wattage for bulbs; a 2020 backstop standard that would have effectively eliminated incandescent bulbs was removed in December 2019,	Wattage for new bulbs is reduced by 28% in 2013	Federal Register Notice of Final Rulemaking

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	reinstated in 2022, and is effective in 2023		
b. External power supply standard	In 2016, set standards for external power supplies	Electricity consumption by external power supplies is reduced by the required amount	Overall savings on compact fluorescent bulbs determined by number of shipments and estimated kWh savings per unit
c. Manufactured housing code	In 2011, set standard for manufactured homes to meet latest IECC	All manufactured homes shipped after 2011 are required to meet the 2006 IECC	Federal Register Notice of Final Rulemaking
d. Miscellaneous refrigeration products	In 2029, set minimum efficiency standards for wine coolers	Other electricity consumption is reduced by the required amount	Federal Register Notice of Final Rulemaking
E. Energy Improvement and Extension Act of 2008 (EIEA2008)			Public Law 110-343
a. Energy-efficient equipment tax credit	Offers purchasers of certain energy-efficient equipment tax credits through 2016	Cost of applicable equipment is reduced by the required amount	Federal Register Notice of Final Rulemaking
b. Energy-efficient appliance tax credit	Offers producers of energy-efficient refrigerators, clothes washers, and dishwashers tax credits for each unit they produce that meets certain efficiency specifications, subject to an annual cap	Cost savings passed on to the consumer, reducing the price of the appliance by the required amount	Cost reductions to consumer are assumed to be 100% of the producer's tax credit
F. American Recovery and Reinvestment Act of 2009 (ARRA2009)			Public Law 111-5
a. Energy-efficient equipment tax credit	Increases cap of energy-efficient equipment specified under Section E(a) of ARRA2009 to \$1,500; removes cap for solar photovoltaic (PV), wind, and ground-source (geothermal) heat pumps	Cost of applicable equipment is reduced by the required amount	Federal Register Notice of Final Rulemaking
b. Weatherization and State Energy Programs	Increases funding for weatherization and other programs to improve the energy efficiency of existing housing stock	Annual funding amount is applied to retrofit existing housing; base savings for heating and cooling based on \$2,600 per-home investment as specified in weatherization program evaluation	Federal Register Notice of Final Rulemaking
G. Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010			Public Law 111-312

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
a. Energy-efficient equipment tax credit	Tax credits for some energy-efficient equipment are extended, generally to EISA2007 amounts	Reduces the cost of applicable equipment by specified amount	
H. Consolidated Appropriations Act of 2016 (H.R. 2029)			Public Law 114-113
a. Residential solar investment tax credit (ITC)	Extends the EPACT2005 30% ITC for solar property through 2019, decreasing to 26% in 2020, to 22% in 2021, and expiring after 2021	Tax credit is incorporated into cash flow for solar generation systems; investment cost for solar water heaters is reduced by the required percentage	Federal Register Notice of Final Rulemaking
I. Bipartisan Budget Act (BBA) of 2018 (H.R. 1892)			Public Law 115-123
a. Residential energy efficiency and non-solar renewable energy tax credits	Retroactively extends existing federal 25C tax credits for home energy efficiency upgrades and equipment through 2017. It also extends the 25D credit for non-solar technology tax credits with the same ramp down as solar through 2021	Cost of applicable equipment is reduced by the required amount; tax credit is incorporated into cash flow for non-solar generation systems based on updated timeline	BBA2018, Section 40401-40402 (26 USC 25)
J. Taxpayer Certainty and Disaster Tax Relief Act of 2019 (H.R. 3301)	Retroactively extended existing federal 25C tax credits for home energy efficiency upgrades and equipment through 2020	Cost of applicable equipment is reduced by the required amount	
K. Energy Policy and Conservation Act of 1975 (EPCA1975)			Public Law 94-163
a. Dedicated-purpose pool pumps	Expanded EPCA1975 coverage of pump efficiency to pool pumps, effective 2021	Other electricity consumption is reduced by the required amount	Federal Register Notice of Final Rulemaking
L. Consolidated Appropriations Act, 2021	Extends the ramp down of ITCs for distributed generation equipment by an additional two years	26% ITC extended through 2022; phases out to 22% in 2023 and no tax credit after 2023	Public Law 116-260
M. Inflation Reduction Act (IRA)			Public Law 117-169
a. Section 13301 Extension, increase, and modifications of nonbusiness energy property credit	Extends tax credits under IRS Section 25C for home energy efficiency improvements and modifies the tax credit for qualified energy efficiency improvements.	Cost of applicable major end-use equipment is reduced by the required amount through 2032	
b. Section 13302 Residential clean energy credit	Extends the credit under IRS Section 25D for the cost of qualified residential clean energy expenditures and projects	ITC for solar PV, fuel cells, wind, ground-source heat pumps, and solar water heaters is increased to 30% and extended through 2032; phases out to 26% in 2033, 22% in	

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		2034; and no tax credit after 2034	
c. Section 13304 Extension, increase, and modifications of new energy efficient home credit	Extends Section 45L credits for new energy-efficient homes, and increases the credit amount if qualified projects meet prevailing wage and apprenticeship requirements	Apply \$500–\$2,500 tax credit for new housing units meeting or exceeding ENERGY STAR specifications, and extend this credit through 2032	
N. One Big Beautiful Bill Act (OBBBA)			Public Law 119-21
a. Section 70505 Termination of energy-efficient home improvement credit	Terminates the IRS Section 25C energy-efficient property tax credit after December 31, 2025	Eliminate federal tax credit for applicable major end-use equipment after 2025	
b. Section 70506 Termination of residential clean energy credit	Terminates the IRS Section 25D for the cost of qualified residential clean energy expenditures and projects after December 31, 2025	Eliminate ITC for solar PV, fuel cells, wind, ground-source heat pumps, and solar water heaters after 2025	
c. Section 70508 Termination of new energy-efficient home credit	Terminates IRS Section 45L tax credits for new energy-efficient homes after June 30, 2026	Eliminate tax credit for new housing units meeting or exceeding ENERGY STAR specifications after 2026	

Commercial sector

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. National Appliance Energy Conservation Act of 1987 (NAECA1987)	Requires the Secretary of Energy to set minimum efficiency standards for various appliance categories with periodic updates	Appliance categories represented in the commercial sector are included	Public Law 100-12
a. Room air conditioners	In 2014, set standards for room air conditioners	Increases efficiency of new room air conditioners	Federal Register Notice of Final Rulemaking
b. Other residential-size air conditioners (<5.4 tons)	In 2023, set standards for central air conditioners	Increases efficiency of new central air-conditioning and heat pumps	Federal Register Notice of Final Rulemaking
c. Fluorescent lamp ballasts	In 2014, set standards for fluorescent lamp ballasts	Increases efficiency of electronic ballast purchases; modeled using a power factor and a minimum efficacy for select lamps based on lamp size and wattage	Federal Register Notice of Final Rulemaking
B. Energy Policy Act of 1992 (EPACT1992)			Public Law 102-486
a. Building codes	Directs U.S. Department of Energy (DOE) to participate in development of model energy codes and help states adopt	Incorporated into commercial building shell assumptions. Efficiency of new shell is represented relative to existing shell in	Based on ICF International commercial shell indexes, developed for EIA in 2018.

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	and implement more efficient energy codes	shell efficiency indexes. Shell efficiency is assumed to improve 7% for space heating and 2% for space cooling in existing buildings by 2050	
b. Window labeling	Helps consumers determine which windows are more energy efficient	Incorporated into commercial building shell assumptions. Efficiency of new shell is represented relative to existing building shell efficiency indexes.	Based on ICF International commercial shell indexes developed for EIA in 2018
c. Commercial furnaces and boilers	In 2023, sets standards for furnaces	Increases efficiency of new natural gas-fired and distillate fuel oil-fired furnaces and boilers	Federal Register Notice of Final Rulemaking
d. Commercial air conditioners and heat pumps	Sets standards for air conditioners and heat pumps	Superseded by EPACT2005 standards	Federal Register Notice of Final Rulemaking
e. Commercial water heaters	In 2003, set standards for water heaters, updated in 2026	Increases efficiency of new water heaters	Federal Register Notice of Final Rulemaking
f. Lamps	In 2012, set standards for various lighting types	Increases efficacy of new incandescent and fluorescent bulbs	Federal Register Notice of Final Rulemaking for fluorescent requirements; incandescent requirements superseded by EISA2007
g. Electric motors	Specifies minimum efficiency levels for a variety of motor types and sizes	End-use services are modeled at equipment level (motors contained in new equipment must meet the standards)	Federal Register Notice of Final Rulemaking
h. Federal energy management	Requires federal agencies to reduce energy consumption by 20% by 2000 relative to 1985	Federal share of the commercial sector uses the 10-year Treasury note rate as a discount rate in equipment purchase decisions	Superseded by Executive Order 13123, EPACT2005, and EISA2007
i. Business investment tax credit (ITC) for solar energy property	Provides a permanent 10% ITC for solar property	Tax credit is incorporated into cash flow for solar generation systems; investment cost is reduced for solar water heaters by 10%	Federal Register Notice of Final Rulemaking; rates and schedule superseded by the IRA extension and expansion of the ITC (Public Law 117-169)
C. Executive Order 13123: Greening the Government Through Efficient Energy Management	Requires federal agencies to reduce energy consumption 30% by 2005 and 35% by 2010 relative to 1985 through cost-effective life-cycle energy measures	Federal share of the commercial sector uses the 10-year Treasury note rate as a discount rate in equipment purchase decisions	Superseded by EPACT2005 and EISA2007

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
D.	Energy Policy Act of 2005 (EPACT2005)			Public Law 109-58
	a. Commercial package air conditioners and heat pumps	In 2018, set minimum efficiency levels, updated in 2023 and to be updated in 2029	Increases efficiency of new air-cooled air conditioners and heat pumps	Federal Register Notice of Final Rulemaking
	b. Lamp ballasts	In 2008, banned manufacture or import of mercury vapor lamp ballasts; in 2009 and 2010, set minimum efficacy level for T12 energy saver ballasts, based on application	Mercury vapor lighting phases out of use; minimum efficacy of T12 ballasts is set at specified standard levels	Federal Register Notice of Final Rulemaking
	c. Compact fluorescent lamps	In 2006, set standards for medium base lamps to ENERGY STAR specifications	Efficacy level of compact fluorescent lamps is set at required level	Federal Register Notice of Final Rulemaking
	d. Illuminated exit signs and traffic signals	In 2006, set standards to ENERGY STAR specifications	Miscellaneous electricity consumption is reduced by the required amount	Number of shipments, share of shipments that currently meet standard, and estimated kilowatthour (kWh) savings per unit determine overall savings
	e. Distribution transformers	In 2007, set standards as National Electrical Manufacturers Association Class I Efficiency levels; updated in 2016	The estimation of the share of miscellaneous electricity consumption attributable to transformer losses includes the effects of the standard	Federal Register Notice of Final Rulemaking
	f. Pre-rinse spray valves	In 2019, set maximum flow rate to 1.28 gallons per minute	Energy use for water heating is reduced by the required amount	Number of shipments, share of shipments that currently meet standard, and estimated kWh savings per unit determine overall savings
	g. Federal energy management	Requires federal agencies to reduce energy consumption by 20% by 2015 relative to 2003 through cost-effective life-cycle energy measures	Federal share of the commercial sector uses the 10-year Treasury note rate as a discount rate for equipment purchase decisions as opposed to adding risk premiums to the 10-year Treasury note rate	Superseded by EISA2007
	h. Business ITC credit for fuel cells and microturbines	Provides a 30% ITC for fuel cells and a 10% ITC for microturbines installed in 2006 through 2016	Tax credit is incorporated into cash flow for fuel cells and microturbines	Extended through 2008 by Public Law 109-432 and through 2016 by the Energy Improvement and Extension Act of 2008 (EIEA2008); Extended

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
			by subsequent legislation, most recently extended through 2024 by the IRA (Public Law 117-169)
i. Business solar ITC	Provides a 30% investment tax credit for solar property installed in 2006 through 2016	Tax credit is incorporated into cash flow for solar generation systems; investment cost for solar water heaters is reduced by 30%	Extended through 2008 by Public Law 109-432, through 2016 by EIEA2008, and through 2019 and then phased down to 10% by Public Law 114-113; expanded to 30% starting in 2022 by the IRA (Public Law 117-169)
j. Vending machines	In 2019, set standards to ENERGY STAR specifications	Increases efficiency of new vending machines	Federal Register Notice of Final Rulemaking
E. Energy Independence and Security Act of 2007 (EISA2007)			
a. Commercial walk-in coolers and walk-in freezers	Requires use of specific energy efficiency measures in equipment manufactured in or after 2009; updated in 2017	Increases efficiency of new walk-in refrigerators and freezers	Federal Register Notice of Final Rulemaking
b. Incandescent and halogen lamps	Sets maximum allowable wattage, based on lumen output from 2012 to 2014. A 2020 backstop standard that would have effectively eliminated incandescent bulbs was removed in December 2019, reinstated in 2022, effective in 2023	Incandescent and halogen general service lighting systems that do not meet standards are removed from technology choice menu	Federal Register Notice of Final Rulemaking
c. Metal halide lamp ballasts	Sets minimum efficiency levels for metal halide lamp ballasts starting in 2009; updated in 2017	Metal halide lighting systems that do not meet standards are removed from technology choice menu; minimum system efficiency includes specified standard levels for ballasts based on type	Federal Register Notice of Final Rulemaking
d. Federal use of energy-efficient lighting	Requires use of energy-efficient lighting fixtures and bulbs in federal buildings to the maximum extent possible starting in 2009	All existing and new federal floorspace uses 10-year Treasury note rate for lighting purchase decisions in 2009	Federal Register Notice of Final Rulemaking
e. Federal energy management	Requires federal agencies to reduce energy consumption per square foot by 30% by 2015 relative to 2003 through cost-effective life-cycle energy measures	Federal share of the commercial sector uses the 10-year Treasury note rate as a discount rate in equipment purchase decisions (as opposed to adding risk premiums to the 10-year Treasury note	Federal Register Notice of Final Rulemaking

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		rate to develop discount rates for other commercial decisions)	
F.	Energy Improvement and Extension Act of 2008 (EIEA2008)		Public Law 110-343
a.	Business solar ITC	Extends EPACT2005's 30% ITC for solar property through 2016	Tax credit is incorporated into cash flow for solar generation systems; investment cost is reduced for solar water heaters by 30%
b.	Business ITC for fuel cells and microturbines	Extends EPACT2005's 30% ITC for fuel cells and 10% ITC for microturbines through 2016	Tax credit is incorporated into cash flow for fuel cells and microturbines
c.	Business ITC for combined-heat-and-power (CHP) systems	Provides a 10% ITC for CHP systems installed in 2009 through 2016	Tax credit is incorporated into cash flow for CHP systems
d.	Business ITC for small wind turbines	Provides a 30% ITC for wind turbines installed in 2009 through 2016	Tax credit is incorporated into cash flow for wind turbines
e.	Business ITC for geothermal heat pumps	Provides a 10% ITC for geothermal heat pump systems installed in 2009 through 2016	Investment cost for geothermal heat pump systems is reduced by 10%
G.	American Recovery and Reinvestment Act of 2009 (ARRA2009)		Public Law 111-5
a.	Business ITC for small wind turbines	Removes the cap on the EIEA2008 30% ITC for wind turbines through 2016	Tax credit is incorporated into cash flow for wind turbines
b.	Stimulus funding to federal agencies	Provides funding for efficiency improvement in federal buildings and facilities	All existing and new federal floorspace uses the 10-year Treasury note rate for purchase decisions in years in which stimulus funding is available to account for new, replacement, and retrofit projects; some

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		funding is assumed to be used for solar PV, small wind turbine, and fuel cell installations	
c. State Energy Program funding and energy efficiency and conservation block grants	Provides grants for state and local governments for energy efficiency and renewable energy purposes (State Energy Program funding conditioned on enactment of new building codes)	All public commercial sector buildings use the 10-year Treasury note rate for purchase decisions in years in which stimulus funding is available. New building shell efficiency is 10% better than 2003 by 2018 for improved building codes. Some funding is assumed to be used for solar PV and small wind turbine installations	Federal Register Notice of Final Rulemaking
d. Funding for smart grid projects	Provides funding for smart grid demonstration projects	Consumers are assumed to become more responsive to electricity price changes resulting in higher price elasticity of demand for certain end uses	Federal Register Notice of Final Rulemaking
H. Consolidated Appropriations Act of 2016 (H.R. 2029)			Public Law 114-113
a. Business solar ITC	Extends EPACT2005's 30% ITC for solar property through 2019, decreasing to 26% in 2020, 22% in 2021, and then remaining at 10% in 2022 and subsequent years	Tax credits are incorporated into the cash flow for solar generation systems; investment cost for solar water heaters is reduced by the required percentage	Federal Register Notice of Final Rulemaking; rates and schedule superseded by the IRA extension and expansion of the ITC (Public Law 117-169)
I. California Global Warming Solutions Act of 2006: emissions limit (SB-32)			
a. Limits California greenhouse gas (GHG)	Limits the statewide GHG emissions level to the 1990 level to be achieved by 2020	Additional subsidies are applied for energy-efficient technologies in the Pacific Census Division; all increase in efficiency is attributed to California	Apply assumptions of SB-350 as it sets a goal of doubling energy efficiency savings targets by 2030
J. Tax Cuts and Jobs Act (TCJA) of 2017 (H.R. 1)			Public Law 115-97
a. 100% expensing for qualified renewable energy property	Introduces 100% expensing for qualified property, including geothermal heat pumps, solar PV, and solar thermal water heating placed in service by 2022. Qualified property placed in service	100% expensing and 50% bonus depreciation for geothermal heat pumps and solar thermal water heating are incorporated, reducing the investment cost	TCJA2017, Section 13201 (26 USC 168)

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis	
K.	Bipartisan Budget Act (BBA) of 2018 (H.R. 1892)	from 2023 to 2026 receives 50% bonus depreciation	Public Law 115-123	
a.	Commercial ITC for distributed and renewable technologies	Extends ITC provisions for several technologies not covered by the 2016 Consolidated Appropriations Act, including geothermal heat pumps, qualified fuel cell and microturbine equipment, combined heat and power, and qualified small wind beginning construction before January 1, 2022	The tax credits are incorporated into cash flow for applicable distributed generation systems; investment costs for geothermal heat pumps are reduced	BBA2018, Section 40411 (26 USC 48); rates and schedule superseded by the IRA extension and expansion of the ITC (Public Law 117-169)
L.	Consolidated Appropriations Act, 2021	Extends the phaseout of ITCs for distributed generation equipment by an additional two years	26% ITC extended through 2022; phases down to 22% in 2023 and 10% for subsequent years	Public Law 116-260; rates and schedule superseded by the IRA extension and expansion of the ITC (Public Law 117-169)
M.	Inflation Reduction Act (IRA)			Public Law 117-169
a.	Section 13102 extension and modification of energy tax credit	These provisions include extensions of the Internal Revenue Service Code Section 48 ITC for certain energy properties	Tax credits are incorporated into the cash flow for commercial solar and wind generation systems, increasing to 30% in 2022 and available thereafter. Fuel cells and microturbines are eligible for a 30% and a 10% credit, respectively, through 2024. Investment costs for solar water heaters and ground-source heat pumps are reduced by the required percentage.	Public Law 117-169
b.	Section 13702 Clean electricity investment credit	This provision creates a new ITC for eligible clean energy technologies.	See section 13102 description for commercial solar and wind. We do not assume reductions in the ITC rate due to GHG targets being met.	Public Law 117-169
c.	Section 13703 cost recovery for qualified facilities, qualified property, and energy storage technology	The provision updates the definition of a <i>five-year property</i> to include property qualifying for the clean energy investment tax credit, and any energy storage technology for modified accelerated cost recovery (MACRS).	Estimated MACRS depreciation value for geothermal technologies and solar water heaters relative to installed costs that are subject to the updated ITC. The portion of costs offset by the ITC cannot be depreciated.	Public Law 117-169

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		We do not explicitly model energy storage in the commercial sector.	
O. One Big Beautiful Bill Act (OBBBA)			Public Law 119-21
a. Section 70509 Termination of cost recovery for energy property	The provision terminates cost recovery for clean energy projects, which are no longer included in the <i>five-year property</i> definition.	Eliminate ITC for solar PV, fuel cells, wind, ground-source heat pumps, and solar water heaters after 2025.	
b. Section 70307 Special Depreciation Allowance for Qualified Production Property	This provision allows for 100% year-one depreciation for qualifying equipment placed in service after January 19, 2025.	Estimated and applied savings to installed cost due to MACRS depreciation for geothermal technologies and solar water heaters. The value of the year-one 100% MACRS depreciation does not include the value of rebates or other incentives that offset the installed cost of equipment. We do not explicitly model energy storage in the commercial sector.	Public Law 119-21

Industrial sector

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. Clean Air Act Amendments of 1990 (CAAA1990)			
a. Process emissions	Numerous process emissions requirements for specified industries and activities	Requirements not yet modeled, because process emissions currently only modeled for the cement and lime industries.	CAAA1990, 40 CFR 60
b. Emissions related to hazardous and toxic substances	Numerous emissions requirements for hazardous and toxic substances	Not modeled because they are not directly related to energy projections	CAAA1990, 40 CFR 60
c. Industrial sulfur dioxide (SO ₂) emissions	Sets annual limit for industrial SO ₂ emissions at 5.6 million tons. If limit is reached, specific regulations could be implemented	Industrial SO ₂ emissions are not projected to reach the limit	CAAA1990, Section 406 (42 USC 7651)
d. Industrial boiler hazardous air pollutants	Requires industrial boilers and process heaters to conduct periodic tune-ups or meet emissions limits on hazardous air pollutants to	Costs of compliance that are not offset by efficiency gains (non-recoverable costs) are modeled as an additional	U.S. Environmental Protection Agency, National Emissions Standards for Hazardous Air

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	comply with the Maximum Achievable Control Technology (MACT) floor. Regulations finalized December 2012	capital cost in the Macroeconomic Activity Module based on proposed regulations as of September 2012	Pollutants for Industrial, Commercial, and Institutional Boilers, Major Source (40 CFR 63, Subpart DDDDD) and Area Source (40 CFR 63 Part JJJJJ)
e. Emissions from stationary diesel engines	Requires engine manufacturers to meet the same emission standards as nonroad diesel engines. Fully effective in 2011	New stationary engines meet the standards	40 CFR Parts 60, 85, 89, 94, 1039, 1065, and 1068
B.	Energy Policy Act of 1992 (EPACT1992)		
a. Boiler efficiency standards	Specifies minimum combustion efficiency for package boilers larger than 300,000 British thermal units (Btu) per hour: natural gas boilers at 80% and oil boilers at 83%	All package boilers are assumed to meet the efficiency standards. Although the standards do not apply to field-erected boilers, which are typically used in steam-intensive industries, we assume they meet the standards in the AEO.	Standards specified in EPACT1992, 10 CFR 431
C.	California Global Warming Solutions Act of 2006 (AB-32); as amended, 2016 (SB-32)		
a. Limits the statewide greenhouse gas (GHG) emissions level to the 1990 level to be achieved by 2020; SB-32 in 2016 requires a 40% reduction from the 1990 GHG emission level by 2030	The California Assembly Bill 32 (AB-32) sets GHG reduction goals for 2020 for California. A cap-and-trade program applies to multiple economic sectors including electric power plants, large industrial facilities, suppliers of transportation fuel, and suppliers of natural gas.	Energy prices in the West Census Region increase based on GHG cap and trade prices and assumed emissions. The Industrial Demand Module is unable to model emissions at the state level.	California Code of Regulations, California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Subchapter 10 Climate Change, Article 5, Sections 95802 to 96022, Title 17, (Sacramento, California: May 2014)
D.	The Energy Independence and Security Act of 2007 (EISA2007)		
a. Motor efficiency standards	Specifies minimum efficiency levels for a variety of motor types and sizes	Purchases of motors must meet the EISA2007 standards. Motors manufactured after June 1, 2016, are required to comply with higher efficiency standards.	EISA2007, 10 CFR Part 431 as amended
E.	The Energy Improvement and		

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
Extension Act of 2008 (EIEA2008)			
a. Combined-heat-and-power tax incentive	Provides an ITC for up to 15 megawatts (MW) of capacity in combined-heat-and-power systems of 50 MW or less through 2016	System costs are adjusted to reflect the tax credit.	EIEA2008, Title I, Sec. 103
F. Bipartisan Budget Act of 2018 (BBA2018)			
a. Tax credits create incentives to build combined-heat-and-power units	BBA2018 retroactively extended the CHP ITC from the Energy Improvement and Extension Act of 2008 (EIEA2008) through the end of 2021. The ITC in EIEA2008 originally spanned from 2008 through the end of 2016, but BBA2018 applied the ITC to all qualifying CHP facilities that began construction before January 1, 2022	Superseded by Consolidated Appropriations Act, 2021	U.S. Congress, “H.R.1892 - <i>Bipartisan Budget Act of 2018</i> ”, Division D, Title I, Subtitle C—Extension and phase-out of energy credit, Sec. 40411, 115th Congress (2017–2018), became Public Law No: 115-123 on February 9, 2018
G. Consolidated Appropriations Act, 2021 (CAA2021)			
a. Tax credits create incentives to build combined-heat-and-power units	CAA2021 extended the CHP ITC in Title 26 U.S. Code Section 48 through the end of 2023. The new Inflation Reduction Act CHP ITC structure now applies for 2023 and 2024, but we still use the flat 10% credit in 2022.	CHP tax credit incentive included in calculations of CHP economics through 2022 (originally 2023 in the law, but the 2023 rate is now superseded by the structure prescribed in the Inflation Reduction Act).	U.S. Congress, “ H.R.133 - Consolidated Appropriations Act, 2021 ,” Division EE, Title I, Subtitle C—Extension of Certain Other Provisions, Sec. 132, 116th Congress (2019–2020), became Public Law No: 116-260 on December 27, 2020
H. Inflation Reduction Act, 2022 (IRA)			
a. Section 13102 Extension and modification of energy tax credit	IRA extended the CHP ITC in Title 26 U.S. Code Section 48 through the end of 2024, and modified its structure in 2023 and 2024. Instead of a flat 10% credit in 2023 and 2024, it has a baseline 6% ITC credit. If a project meets prevailing wage and apprenticeship requirements set out in the bill, this percentage is instead 30%. If the project meets domestic material content requirements defined in the bill, the ITC increases by a further 10 percentage points, or by 2 percentage points if the project does not meet the material requirements.	We assume the minimum CHP tax credit of 10% in calculations of CHP economics in 2023 and 2024.	U.S. Congress, “ H.R.5376 – Inflation Reduction Act of 2022 ,” Title I, Subtitle D—Energy Security, Sec. 13102, 117th Congress (2021–2022), became Public Law No: 117-169 on August 16, 2022.

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	Finally, if a project is sited in an energy community as defined in the bill, the ITC is increased by 10 percentage points. If the project is not sited in an energy community, the ITC is increased by 2 percentage points.		
b. Section 13204 Clean hydrogen	Section 45V creates up to a \$3.00/kg H ₂ PTC for clean hydrogen production. OBBBA changes the project online requirement from 2033 to 2027.	Assumes that hydrogen produced from electrolyzers is eligible for the PTC (hydrogen produced using carbon capture methods are instead eligible for the 45Q tax credit).	U.S. Congress, “ H.R. 5376 – Inflation Reduction Act of 2022 ,” Title I, Subtitle D—Energy Security, Sec. 13204, 117th Congress (2021–2022), became Public Law No: 117-169 on August 16, 2022 One Big Beautiful Bill Act (OBBBA)

Transportation sector

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond	Sets CAFE standards for model year 2027 and beyond light-duty vehicles and Class 2b pickups and vans	Technology options and attributes (cost, performance, weight) are updated to align with the latest associated Final Regulatory Impact Analysis (FRIA). The standards are not enforced due to the elimination of civil penalties.	Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond; Federal Register Vol. 89, No. 121, June 2024
B. Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles	Sets tailpipe GHG standards for model year 2027 and beyond light-duty vehicles and Class 2b pickups and vans	Tailpipe GHG standards are increased in model years 2027–2032. Technology attributes and options are aligned with the MY2027+ CAFE standard FRIA as noted above.	Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles. Federal Register Vol. 89, No. 76, April 2024.
C. Petroleum-Equivalent Fuel Economy Calculation	This final rule revises DOE’s regulations regarding procedures for calculating a value for the petroleum-equivalent fuel economy of electric vehicles (EVs). The petroleum equivalency factor (PEF) is used by EPA in calculating light-duty vehicle manufacturers’ compliance with CAFE standards.	Changes to the PEF for MY2027–30 are implemented in CAFE compliance calculations for light-duty vehicles. The PEF is held constant after 2030.	10 CFR Part 474. [EERE 2021-VT-0033]. RIN 1904-AF47

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
D.	Inflation Reduction Act of 2022 – Clean Vehicle Credit and Commercial Clean Vehicle Credit	Federal tax credits are available to offset the upfront incremental cost of battery electric, plug-in hybrid electric, and hydrogen fuel cell vehicles	The tax credits for qualified vehicles – Section 30D for light-duty vehicles and Section 45W for medium- and heavy-duty – are included in the sales projections. Growth in 30D eligibility is based on estimate developed for the EPA MY2027+ Multi-Pollutant rule.	26 USC 30D, Clean vehicle credit and 26 USC 45W Commercial Clean Vehicle Credit (Public Law No. 117-169, 2022)
E.	Inflation Reduction Act of 2022 – Alternative Fuel Vehicle Refueling Property Credit	Federal tax credits are available to offset the equipment and installation cost of electric vehicle supply.	The tax credit is applied to EV charging installations required for depot-operated fleet purchase of electric medium- and heavy-duty trucks, assuming an average of 18% of charger installations qualify.	26 USC 30C, Alternative Fuel Vehicle Refueling Property Credit (Public Law No. 117-169, 2022)
F.	One Big Beautiful Bill Act (OBBBA)			Public Law 119-21
	a. Section 70502: Termination of clean vehicle credit.	Terminates the Section 30D Clean Vehicle Credit after September 30, 2025.	Reduces tax credit eligibility in 2025 by 25%; eliminate credit in following years.	
	b. Section 70503: Termination of qualified commercial clean vehicles credit.	Terminates the Section 45W Qualified Commercial Clean Vehicles Credit on September 30, 2025.	Reduces tax credit eligibility in 2025 by 25%; eliminate credit in following years.	
	c. Section 70504: Termination of alternative fuel vehicle refueling property credit	Terminates the Section 30C Alternative Fuel Vehicle Refueling Property Credit on June 30, 2026.	Eliminate credit after 2026.	
F.	State electric, hybrid, and alternative-fuel vehicle tax and other incentives	More than 10 states provide incentives to purchase electric, hybrid, or alternative-fuel vehicles; the tax incentives are in the form of rebates, tax credits, and exemptions. Other incentives include toll lane fee credits, use of High Occupancy Vehicle lanes, and exemptions from emissions inspections and licensing fees. The incentives offered and the mix varies by state.	State tax and other incentives for hybrid, electric, and other alternative-fuel vehicles are included in the sales projections.	Various state laws in place in California, Colorado, Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington.
G.	Heavy-Duty National Program; Phase II Greenhouse Gas Emissions and Fuel	Establishes greenhouse gas (GHG) emissions and fuel consumption standards for on-road, heavy-duty trucks and	HD National Program Phase I and Phase II standards are modeled, with both engine and	Section 202 of the Clean Air Act Title 49 USC, Chapter 32902[k]; Energy Independence and

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
Consumption Standards for Heavy-Duty Vehicles and Phase III Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles	their engines. Standards begin for model year 2021 vehicles and engines and are fully phased in by model year 2024 (Phase II); a second round of standards (GHG-only) for medium- and heavy-duty vehicles begins for model year 2027 vehicles and is fully implemented by model year 2032 (Phase III); the second round adds heavy-haul tractors and trailers	chassis technologies; compliance is modeled among the 14 heavy-duty vehicle regulatory classifications; EPA Phase III standards are modeled in similar fashion; the standards are held constant in model years after 2032	Security Act of 2007, Title 1, Section 102; Federal Register, Vol. 76, No. 179, September 2011; Federal Register, Vol 81, No. 206, October 2016 Federal Register, Vol 89, No. 117, June 2024
H. Control of Air Pollution from New Motor Vehicles: Heavy-Duty Engine and Vehicle Standards	This EPA program finalizes new air pollution standards for heavy-duty trucks, including NOx, ozone, and particulate matter.	The cost to comply with NOx standards is implemented as an incremental cost on each of the internal combustion engine powertrains, based on cost calculations in the regulation.	Federal Register Vol. 88, No. 15, January 2023.
I. The International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI	Sets limits on emissions of sulfur oxides and nitrogen oxides from ship exhausts and prohibits deliberate emissions of ozone-depleting substances. First effective on May 19, 2005. Requirements added on January 1, 2015, set a maximum of 0.1% sulfur fuel use or exhaust scrubber use in Emission Control Areas (ECA), from a previous 1% limit. In October 2016, International Maritime Organization members agreed to the 2008 MARPOL amendments that implemented a new global limit in 2020 for sulfur emissions from ships. Under the new requirement, vessel operators must use <i>fuel oil on board</i> (which includes main and auxiliary engines and boilers) with a sulfur content of no more than 0.5% mass per mass	MARPOL Annex VI fuel sulfur mandates are reflected in domestic and international shipping fuel choices starting in 2015	MARPOL 73/78, (33 U.S.C 1901(a) (4) & (5), 1902(a)(1) & (5), and 1907 (a), as amended by the Maritime Pollution Prevention Act of 2008 (MPPA), RESOLUTION MEPC.320(74), Public Law 110-280, 122 Stat 2611)

Electric power sector

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. Clean Air Act Amendments of 1990 (CAAA1990)	Establishes a national limit on electricity generator emissions of sulfur dioxide (SO ₂) to be	SO ₂ cap-and-trade program is explicitly modeled, choosing the	Clean Air Act Amendments of 1990, Title IV, Sections 401

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	achieved through a cap-and-trade program	optimal mix of options for meeting the national emissions cap	through 406, Sulfur Dioxide Reduction Program, 42 U.S.C. 7651a through 7651e
	Requires the EPA to establish National Ambient Air Quality Standards (NAAQS) for criteria pollutants. States have until March 2026 to comply. Areas falling into the designation of <i>moderate</i> nonattainment had until late 2023 to comply	These standards are not explicitly represented, but the Cross State Air Pollution Rule is incorporated and was developed to help states meet their NAAQS	Clean Air Act Amendment of 1990, Title I, Sections 108 and 109, National Ambient Air Quality Standards for Ozone, 40 CFR Part 50, Federal Register, Vol. 68, No. 3, January 8, 2003. National Ambient Air Quality Standards for Particulate Matter, 40 CFR Part 50, Federal Register, Vol. 62, No. 138, July 18, 1997
New Source Performance Standards: Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units	Section 111(b) enables EPA to develop standards for emissions for new stationary sources, e.g., power plants; in 2024, EPA finalized new rules that determined the best system for emission reduction (BSER) for GHG reductions for new combustion turbine electric generating units (EGUs). The 111(b) ruling requires new natural gas plants that intend to run as base load units (greater than 40% capacity factor) to operate with 90% CO ₂ capture by 2032, while plants operating at intermediate or low load levels have standards consistent with current efficient designs and use of low-emitting fuel.	This performance standard is represented by restricting operation to an annual 40% capacity factor on any new natural gas-fired combined cycle plants that are built without CCS.	U.S. Environmental Protection Agency, <i>New Source Performance Standards for Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule</i> . Federal Register, Vol. 89, No. 91 (May 9, 2024), 40 CFR Parts 60.
Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units	Section 111(d) enables EPA to develop standards for emissions existing stationary sources, e.g., power plants; in May 2024, EIA finalized new rules that determined the best system for emission reduction (BSER) for GHG reductions for existing coal-fired EGUs. The 111(d) ruling allows existing steam turbines at coal power plants to operate until January 1, 2039, if they either convert to a natural gas-fired steam unit or cofire at least 40% with natural gas by 2030. They must be retrofitted with a carbon capture and sequestration	These requirements are represented for existing coal plants, allowing the model to make economic decisions regarding conversion fully to natural gas-fired operation, conversion to co-fire with natural gas, or retrofit with a CCS system by the appropriate deadlines.	U.S. Environmental Protection Agency, <i>New Source Performance Standards for Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule</i> . Federal Register, Vol. 89, No. 91 (May 9, 2024), 40 CFR Parts 60.

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	<p>(CCS) system with a 90% capture rate by 2032 if they are intended to operate beyond January 1, 2039. Otherwise, coal power plants must retire by 2032.</p>		
<p>B. Cross-State Air Pollution Rule (CSAPR)</p>	<p>CSAPR requires states to reduce SO₂ and nitrogen oxides (NO_x) emissions from power plants. CSAPR consists of four individual cap-and-trade programs, covering two different SO₂ groups, an annual NO_x group, and a seasonal NO_x group. A total of 23 states are subject to annual limits, and 25 states are subject to seasonal limits. In September 2016, EPA finalized an update to the emission budgets and target dates for the CSAPR ozone season program. On March 15, 2021, EPA finalized an update to the CSAPR to require additional emissions reductions of nitrogen oxides from power plants in 12 states and revised the budgets for their emissions from 2022 to 2024. AEO2026 does not reflect changes that would have been introduced through EPA’s 2023 Good Neighbor Plan to further revise NO_x standards because the U.S. Supreme Court issued a stay on implementation in June 2024.</p>	<p>Cap-and-trade programs for SO₂ and NO_x are modeled explicitly, allowing the model to choose the best method for meeting the emission caps. Updated budgets and dates are incorporated</p>	<p>U.S. Environmental Protection Agency, <i>Cross-State Air Pollution Rule</i>, website epa.gov/air transport. Federal Register, Vol. 70, No. 91 (May 12, 2005), 40 CFR Parts 51, 72, 73, 74, 77, 78, and 96. Federal Register 86 FR 23054 (April 30, 2021)</p>
<p>C. Mercury and Air Toxics Standards (MATS)</p>	<p>MATS sets standards to reduce air pollution from coal- and oil-fired power plants with a capacity greater than 25 MW. The revised 2024 rule requires plants to achieve the maximum achievable control technology for mercury, hydrogen chloride (HCl), and fine particulate matter (PM 2.5)</p>	<p>The Electricity Market Module (EMM) assumes that all coal-fired generating plants above 25 MW that are still in operation by the regulatory deadline are in compliance.</p>	<p>U. S. Environmental Protection Agency, Mercury and Air Toxics Standards, website</p>
<p>D. EPA’s Effluent Limitation Guidelines (ELG)</p>	<p>EPA regulates wastewater discharges from coal-fired power plants to limit pollutants discharged. The rule was most recently amended in 2024, establishing zero pollutant limitations for certain wastewater stream and</p>	<p>Not explicitly modeled in NEMS, but ELG compliance is reflected in Form EIA-860 filings, as each plant takes action to comply, and reflected in EMM input assumptions</p>	<p>EPA, Steam Electric Power Generating Effluent Guidelines, Federal Register, Vol. 85, No. 198 (October 13, 2020), 40 CFR Part 423.</p>

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	mercury and arsenic limitations for certain groundwater and surface impoundment waste streams		
E. New Source Review (NSR)	On August 28, 2003, EPA issued a final rule defining certain power plant and industrial facility activities as routine maintenance, repair, and replacement, which are not subject to NSR. As stated by EPA, these changes provide a category of equipment replacement activities that is not subject to major NSR requirements under the routine maintenance, repair, and replacement (RMRR) exclusion. In other words, a facility's engagement in RMRR activities will not have to get preconstruction approval from the state or EPA and will not have to install best available emissions control technologies that might be required under the NSR process	We assume coal plants are able to increase their output as electricity demand increases. Their maximum capacity factor is set at 65%. We assume the capacity of existing plants does not increase	EPA, 40 CFR Parts 51 and 52, Deterioration (PSD) and Non-Replacement Provision of the Vol. 68, No. 207, page 61,248, Prevention of Significant Attainment New Source Review (NSR): Equipment Routine Maintenance, Repair and Replacement Exclusion; Final Rule, Federal Register, October 27, 2003
F. Federal Energy Regulatory Commission (FERC) Orders 888 and 889	FERC has issued two related rules, Orders 888 and 889, which aim to bring low-cost power to consumers through competition, ensure continued reliability in the industry, and provide for open and equitable transmission services by owners of these facilities.	All generators in a given region are assumed to satisfy load requirements anywhere within the region. Similarly, transactions between regions are assumed to occur if the cost differentials between them make it economical to do so.	Promoting Wholesale Competition Through Open Access, Non-Discriminatory Transmission Services by Public Utilities; Public Utilities and Transmitting Utilities, Order No. 888 Issued April 24, 1996), 18 CFR Parts 35 and 385, Docket Nos. RM95-8-000 and RM94-7-001; Open Access Same-Time Information System (formerly Real-Time Information Networks) and Standards of Conduct, Order No. 889, (Issued April 24, 1996), 18 CFR Part 37, Docket No. RM95-9-000
G. State Clean Energy Standard (CES) Laws, Mandates, and Goals	Several jurisdictions have enacted laws requiring that a certain percentage of their generation comes from qualifying zero-emitting or renewable sources. Among these states, some have implemented technology-	To the extent possible, AEO2026 reflects state laws and regulations enacted as of December 2025. We also include clean energy targets set forth by state-level executive	The states with CES or other requirements providing quantified projections are detailed in the Appendix : Existing State-level Clean Energy Policies.

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	specific targets, requiring that a certain percentage of required generation comes from a specific energy technology source	branch entities, but do not include voluntary goals. Mandatory targets from the various states are aggregated at the regional level, and achievement of nondiscretionary compliance criteria is evaluated for each region (see the <i>Renewable Fuels Module Assumptions</i> document)	
H. Regional and State Air Emissions Regulations	The Northeast Regional Greenhouse Gas Initiative (RGGI) applies to fossil-fueled power plants over 25 MW in 10 states in New England and the mid-Atlantic region of the United States. The rule caps CO ₂ emissions and requires that states account for CO ₂ emitted with allowances purchased at auction. In December 2017, an Updated Model Rule was released, specifying a cap through 2030, modifications to the Cost Containment Reserves, and the creation of an Emissions Containment Reserve	The impact of RGGI is included in the EMM, adjusting when needed to estimate the emissions caps at the regional level used in NEMS.	Regional Greenhouse Gas Initiative Model rule, www.rggi.org
	The California Assembly Bill 32 (AB32) sets GHG reduction goals for 2020 for California. A cap-and-trade program aims to enforce the caps. The cap-and-trade program applies to multiple economic sectors including electric power plants, large industrial facilities, suppliers of transportation fuel, and suppliers of natural gas. Emissions resulting from electricity generated outside California but consumed in the state are also subject to the cap	The EMM models the cap-and-trade program explicitly for CO ₂ for California through an emission constraint that accounts for emissions from the other sectors. Limited banking and borrowing of allowances as well as an allowance reserve and offsets are incorporated as specified in the bill	California Code of Regulations, Subchapter 10 Climate Change, Article 5, Sections 95800 to 96023, Title 17, <i>California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms</i> , (Sacramento, CA: July 2011)
	The California Senate Bill 32 (SB32) sets GHG reduction goals for 2030 for California, at 40% lower than 1990 levels, requiring additional declines from the AB32 goals. The California Assembly Bill 398	The EMM assumes the cap-and-trade program developed for AB32 will continue, and it sets new annual targets through 2030 to achieve the	California Senate Bill 32, California Global Warming Solutions Act of 2006: emissions limit (September 8, 2016); California Assembly Bill 398, California Global

Legislation	Brief description	<i>Annual Energy Outlook (AEO) handling</i>	Basis
	(AB398), passed in July 2017, provided more clarification on how the new targets will be achieved	SB32/AB398 goals. After 2030, the target remains flat	Warming Solutions Act of 2006: market-based compliance mechanisms, fire prevention fees, sales and use tax manufacturing exemption (July 25, 2017)
I. New York (NY) Clean Energy Standard	The Clean Energy Standard creates two mechanisms to achieve New York’s goal to reduce carbon emissions through greater use of renewable and other zero emission generation. A renewable energy standard requires 50% of New York electricity sales to come from renewable energy sources by 2030. The zero-emission credit (ZEC) program requires load-serving entities to purchase ZECs based on their share of state sales. Certain existing nuclear units are eligible to receive the ZECs if their profitability is determined at risk because of low market prices	In the EMM, the renewable standard is modeled explicitly along with other state Renewable Portfolio Standards (RPS) programs; see the Appendix for more details. For states with programs designed specifically to provide support to existing nuclear generating plants (as is the New York Clean Energy Standard), the supporting subsidy is modeled by requiring the existing eligible units to remain operable during the program and by calculating any payment needed to keep them profitable. The calculated payment is passed through to retail prices	State of New York Public Service Commission, Order Adopting a Clean Energy Standard, August 1, 2016
J. Illinois Future Energy Jobs Bill and Climate and Equitable Jobs Act	The Future Energy Jobs Bill revised the state’s RPS program and created a zero-emission credit (ZEC) program for existing nuclear units. Existing nuclear units serving Illinois are eligible to receive the ZECs. The Clinton and Quad Cities nuclear plants were selected to receive payments under the original ZEC program. In September 2021, the Illinois Climate and Equitable Jobs Act was passed and includes carbon mitigation credits available to additional nuclear power plants, which led to the reversal of plans to shut down the Byron and Dresden plants	In the EMM, the renewable standard is modeled explicitly in the same manner as other state RPS programs see the Appendix for more details. For states with programs designed specifically to provide support to existing nuclear generating plants (as is the Illinois Future Energy Jobs Bill and Climate and Equitable Jobs Act), the supporting subsidy is modeled by requiring the existing eligible units to remain operable during the	State of Illinois, Future Energy Jobs Bill, Public Act 099-0906, June 1, 2017 and Climate and Equitable Jobs Act, SB2408 , September 15, 2021

Legislation	Brief description	<i>Annual Energy Outlook (AEO) handling</i>	Basis
		program and by calculating any payment needed to keep them profitable. The calculated payment is passed through to retail prices	
K. New Jersey Zero Emission Certificate program for nuclear power plants	New Jersey Senate Bill S2313 establishes a zero-emission certificate (ZEC) program for existing nuclear power plants; a maximum of \$300 million is available annually over 10 years to nuclear plants that demonstrate they make a significant contribution to New Jersey air quality and that they are at risk of closure within 3 years	For states with programs designed specifically to provide support to existing nuclear generating plants (as is the New Jersey Zero Emission Certificate program), the supporting subsidy is modeled by requiring the existing eligible units to remain operable during the program and by calculating any payment needed to keep them profitable, subject to the cap. The calculated payment is passed through to retail prices	State of New Jersey, Senate Bill No. 2313, May 23, 2018
L. Connecticut Senate Bill No. 1501	Connecticut passed Senate Bill No. 1501 in June 2017, permitting nuclear power to compete in zero-emissions state energy auctions and solicitations, as required under Public Act 17-3. In December 2018, Connecticut’s Department of Energy and Environmental Protection selected a 10-year proposal from the Millstone nuclear plant for about half of its 2.1gigawatt output. Between 2022 and 2029, Millstone will receive higher prices based on environmental, economic, and grid benefits. The Seabrook nuclear power plant, in New Hampshire, was also selected, and its contract begins in 2022.	As the Connecticut legislation creates a general clean energy auction, rather than specific support for existing nuclear generating plants, the standard modeling approach used to model other state nuclear programs is not applied to Connecticut. In the AEO2026 core cases, nuclear plants in New England tend to be economical and are not projected to retire through at least 2030	Connecticut General Assembly, Senate Bill No. 1501, June 2017
N. Infrastructure Investment and Jobs Act 2021	The civil nuclear credit program supports nuclear power plants in competitive electricity markets that may shut down due to economic viability. The Secretary of Energy will determine specific	The EMM models this program by expanding the earlier state ZEC logic to all competitive states that are not already receiving state payments, but for these	Infrastructure, Investment and Jobs Act, HR3684 , November 15,2021, Section 40323

Legislation	Brief description	<i>Annual Energy Outlook (AEO) handling</i>	Basis
	unit eligibility and credit level, under a \$6 billion total budget, allocated in fiscal years (FY) 2022–2026	additional states, the costs are not passed through to electricity prices	
	IRA sections 13701 and 13702 created new PTC and ITC for qualified domestically produced electricity from zero-emission resources; OBBBA sections 70512 and 70513 revised the expiration date and added restrictions for the tax credit eligibility	The EMM models the new tax credit values assuming the prevailing wage and apprenticeship requirements are satisfied for all qualifying technologies in the electric power sector. The domestic content bonus is assumed for onshore and offshore wind, biomass facilities, and both nuclear technologies. The tax credits for wind and solar technologies terminate for plants under construction after July 4, 2026, and in service after December 31, 2027. Tax credits for other technologies are phased out after 2033 (under construction date). The energy community bonus credit is not modeled for onshore wind and solar technologies due to the limited availability of the credit. OBBBA introduced an energy community bonus for new nuclear construction, but it was not modeled due to a lack of data availability and IRS guidance. Geothermal, battery storage, hydroelectric, and offshore wind technologies take the ITC, while biomass, onshore wind, nuclear, and both solar technologies take the PTC. In the EMM, the restrictions related to	

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		foreign entities of concern were modeled by assuming an additional three percentage point risk premium on the cost of capital for wind, solar, and battery storage builds during the time the tax credit is available.	
	IRA section 13502 created a PTC for domestically manufacturing components under the Advanced Manufacturing PTC section 45X; OBBBA section 70514 modified the provisions;	The EMM assumes no technology is eligible for the bonus credit because of the period of tax credit availability shortened by OBBBA.	
	IRA section 13105 created a PTC for existing nuclear generation for facilities online before 2022. Qualifying generation will get a credit in 2024 through 2032. OBBBA Section 70510 added certain restrictions prohibiting ownership by foreign entities.	The EMM explicitly models the credits based on a base rate of 0.3 cents/kWh that is reduced when average revenues exceed 2.5 cents/kWh. The facilities are assumed to meet prevailing wage and apprenticeship requirements to receive a bonus factor of five. The EMM assumes that no existing nuclear units will be restricted from claiming the credit based on ownership.	
	IRA section 13104 extends and modifies the carbon dioxide capture (CO ₂) credit under IRS section 45Q; OBBBA section 112011 made revisions to certain credit values	The tax credit is extended and modified according to the values indicated in the IRA, assuming prevailing wage and apprenticeship requirements are met. The required start date for qualifying CO ₂ capture and storage projects is extended to all plants that begin construction before January 1, 2033. The tax credit for CO ₂ used for EOR and stored in saline aquifers are both set to \$85 per metric ton (mt). After	

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
		2026, credits rise with inflation.	

Oil and natural gas supply

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. The Outer Continental Shelf Deep Water Royalty Relief Act (DWRRA)	Requires that all tracts offered by November 28, 2000, in deep water in certain areas of the Gulf of Mexico must be offered under the new bidding system permitted by the DWRRA. The Secretary of the Interior must offer such tracts with a specific minimum royalty suspension volume based on water depth	Incorporates royalty rates based on water depth	43 USC SS 1331-1356 (2002)
B. Energy Policy and Conservation Act Amendments of 2000	Requires the U.S. Geological Survey (USGS) to inventory oil and natural gas resources beneath federal lands	To date, the USGS has completed its Rocky Mountain oil and natural gas resource inventory. The results of this inventory have been incorporated in the technically recoverable oil and natural gas resource volumes used for the Rocky Mountain region	Scientific Inventory of Onshore Federal Lands: Oil and Gas Resources and Reserves and the Extent and Nature of Restrictions or Impediments to Their Development: The Paradox/San Juan, Uinta/Piceance, Greater Green River, and Powder River Basins and the Montana Thrust Belt; Prepared by the U.S. Departments of Interior, Agriculture, and Energy, January 2003
C. Tax Cuts and Jobs Act of 2017	Sets federal corporate tax rate at 21% and establishes a program for the leasing and developing of crude oil and natural gas from the coastal plain (1002 Area) of the Arctic National Wildlife Refuge (ANWR)	Federal tax rate is set to 21%. Oil fields in the 1002 Area of ANWR are available for exploration and development if economical	Public Law 115-97
D. Colorado setback requirements between new wells and most buildings	The Colorado Oil and Gas Conservation Commission (COGCC) approved revisions to oil and natural gas permitting rules in Colorado. Of note is the provision that increased the drilling setback from homes and businesses from 500 feet to 2,000 feet.	Modeled by reducing the acreage that can be drilled in Colorado	Senate Bill 19-181 directed the COGCC to regulate drilling in a way that protects public health and the environment

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	The new setback requirement applies to new permit applications and still-pending applications submitted under the previous rules		
E. Inflation Reduction Act (IRA), as amended by OBBBA	Increased royalty rates for production on federal lands, water. New royalties on extracted methane on federal land to include venting/flaring	Adjusted royalty rates accordingly for production on federal lands, water. Removed royalties on extracted methane from venting/flaring on federal lands	Public Law 117-169
F. IRA Section 13104 Extension and modification of credit for carbon oxide sequestration, as amended by OBBBA Section 70522 Restriction on Carbon Oxide Sequestration Credit	This provision extends the carbon oxide capture credit under IRS section 45Q	The tax credit is extended and modified according to the values indicated in the IRA, assuming prevailing wage and apprenticeship requirements are met. The required start date for qualifying CO ₂ capture and storage projects is extended to all plants that begin construction before January 1, 2033. Following OBBBA amendments, the tax credit for CO ₂ used for enhanced oil recovery (EOR) or stored in saline aquifers is set to \$85 per metric ton (mt) from 2023 to 2026. After 2026, credits rise with inflation.	
a. Section 50261 Offshore oil and gas royalty rate	This provision increases the minimum royalty rate for new offshore fossil fuel leases	Implemented updated minimum royalty rates	
b. Section 50262 Mineral Leasing Act modernization	This provision updates the onshore oil and natural gas royalty rates	Updated the onshore oil and natural gas production royalty rates	
c. Section 50264 Lease sales under the 2017–2022 Outer Continental Shelf leasing program	This provision requires the completion of the 2017–2022 Outer Continental Shelf leasing program	We assume the 2017–2022 Outer Continental Shelf Leasing Program is completed	

Natural gas market

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
A. Federal Motor Fuels Excise Taxes for Compressed Natural Gas and Liquefied Natural Gas in Vehicles. Liquefied natural gas	Taxes are levied on each gasoline-gallon equivalent of compressed natural gas and each diesel-gallon equivalent of liquefied natural gas used in road vehicles and ships	Current federal motor fuels excise taxes on natural gas fuel for road vehicles and ships are included in retail prices and are assumed to be	26 USC 4041

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basis
	tax changed as of January 1, 2016, under the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (H.R. 3236)		extended indefinitely in nominal dollars	
B.	State Motor Fuels Taxes for Compressed Natural Gas and Liquefied Natural Gas in Vehicles	Taxes are levied on each gallon, gasoline-gallon equivalent, or diesel-gallon equivalent of natural gas for road vehicles	Current state motor fuels excise taxes on natural gas fuel for road vehicles are included in retail prices and are assumed to be extended indefinitely in nominal rates	Determined by review of existing state laws
C.	Renewable Fuel Standard (RFS)	Requires the use of a determined amount of cellulosic biofuel each year	Assumes that nearly all cellulosic biofuel use is met by renewable natural gas (RNG)	Energy Policy Act of 2005, Section 1501. Renewable Fuel Standard Mandates
D.	California Low Carbon Fuel Standard (LCFS)	California passed legislation that aims to reduce the carbon intensity (CI) of motor gasoline and diesel fuels sold in California by 10% between 2012 and 2020 through the increased sale of alternative <i>low-carbon</i> fuels. In 2018, the LCFS was extended through 2030 with an additional 10% planned reduction in carbon intensity, for a total 20% reduction relative to the 2010 baseline	Reflects LCFS credits into RNG production decisions for landfill and dairy farm-based RNG	California Air Resources Board (CARB), Final Regulation Order: Subarticle 7. Low Carbon Fuel Standard

Liquid fuels market

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
A.	Ultra-low sulfur diesel (ULSD) regulations under the Clean Air Act Amendment of 1990	Since mid-2012, all diesel for domestic use (highway, nonroad, locomotive, marine) must be at or below 15 parts per million (ppm) of sulfur	Reflected in diesel specifications	40 CFR Parts 69, 80, 86, 89, 94, 1039, 1048, 1065, and 1068
B.	Mobile Source Air Toxics (MSAT) Controls Under the Clean Air Act Amendment of 1990	Establishes a list of 21 substances emitted from motor vehicles that are known to cause serious human health effects, particularly benzene, formaldehyde, 1,3 butadiene, acetaldehyde, diesel exhaust organic gases, and diesel particulate matter; establishes anti-backsliding and anti-dumping rules for gasoline	Modeled by updating gasoline specifications to most current EPA gasoline survey data (2005), which represents anti-backsliding requirements	40 CFR Parts 60 and 86

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
C.	Low Sulfur Gasoline Regulations Under the Clean Air Act Amendment of 1990	Gasoline must contain an average of 30 ppm sulfur or less by 2006; small refiners may be permitted to delay compliance until 2008	Reflected in gasoline specifications	40 CFR Parts 80, 85, and 86
D.	Tier 3 Vehicle Emission and Fuel Standards Program	Gasoline must contain an average of 10 ppm sulfur or less by January 1, 2017; small refiners may be permitted a three-year delay	Reflected in gasoline specifications beginning in 2017	40 CFR Parts 79, 80, 85, et al., final rule
E.	Methyl Tertiary Butyl Ether (MTBE) Bans in 25 states	25 states ban the use of MTBE in gasoline by 2007	Ethanol assumed to be the oxygenate of choice for all motor gasoline blends	State laws in Arizona, California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Rhode Island, South Dakota, Vermont, Washington, and Wisconsin
F.	Regional Clean Fuel Formulations	States with air quality problems can specify alternative gasoline or diesel formulations with EPA's permission. California has long had authority to set its own fuel standards	Reflected in Petroleum Administration for Defense District (PADD)-level gasoline and diesel specifications	State implementation plans required by the Clean Air Act Amendments of 1990, as approved by EPA
G.	Federal Motor Fuels Excise Taxes	Taxes are levied on each gallon of transportation fuels to fund infrastructure and general revenue. These taxes are set to expire at various times in the future but are expected to be renewed, as they have been in the past	Gasoline, diesel, and ethanol blend tax rates are included in end-use prices and are assumed to be extended indefinitely at current nominal rates	26 USC 4041 Extended by American Jobs Creation Act of 2004
H.	State Motor Fuel Taxes	Taxes are levied on each gallon of transportation fuels. The assumption that state taxes will increase at the rate of inflation supports an implied need for additional highway revenues as driving increases	Gasoline and diesel rates are included in end-use prices and are assumed to be extended indefinitely in real terms (to keep pace with inflation)	Determined by review of existing state laws performed semi-annually by EIA's Office of Energy Statistics
I.	Diesel Excise Taxes	Phases out the 4.3 cents excise tax on railroads between 2005 and 2007	Modeled by phasing out	American Jobs Creation Act of 2004, Section 241
J.	Energy Policy Act of 2005 (EPACT2005)			
	a. Biodiesel mixture tax credit (BTC)	Petroleum product blenders may claim tax credits for blending biodiesel or	The tax credits are applied against the production costs of the	26 USC 40, 26 USC 6426, and 26 USC40A; Tax credits extended

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
	renewable diesel into diesel fuel or heating oil. Qualified producers or blenders are eligible for an income tax credit of \$1.00 per gallon. The current BTC was signed into law in December 2019, was retroactively applied to 2018 and 2019, and expired at the end of 2022	products into which they are blended. Biodiesel and renewable diesel are assumed to be blended into highway diesel, nonroad diesel, or heating oil	through December 31, 2016, by Public Law 114-113)
b. Renewable Fuel Standard (RFS)	This section has largely been redefined by EISA2007 (see item K); however, EPA rulemaking completed for this law was assumed to contain guiding principles of the rules and administration of EISA2007		Energy Policy Act of 2005, Section 1501
c. Elimination of oxygen content requirement in reformulated gasoline	Removes the 2% oxygen requirement for reformulated gasoline (RFG) nationwide	Oxygenate waiver already an option of the model. MTBE was phased out in 2006 as a result of the petroleum industry's decision to discontinue use	Energy Policy Act of 2005, Section 1504
d. Coal gasification provisions	Investment tax credit program for qualifying advanced clean coal projects including coal-to-liquids (CTL) projects	Two CTL units are available to build with lower capital costs, reflecting the provision's funding	Energy Policy Act of 2005, Section 1307
K. Energy Independence and Security Act of 2007 (EISA2007)			
a. Renewable Fuel Standard (RFS)	Requires the use of 36 billion gallons of ethanol per year by 2022. Corn ethanol is limited to 15 billion gallons. Any other biofuel may be used to fulfill the balance of the requirement, but the balance must include 16 billion gallons per year of cellulosic biofuel by 2022 and 1 billion gallons per year of biodiesel by 2012. EPA is authorized to reduce volume targets specified in the statute in some circumstances.	The RFS is included; however, we assume the schedule for cellulosic biofuel is adjusted downward, consistent with waiver provisions contained in the law	40 CFR Part 80 Subpart M; 40 CFR Part 1090; RFS Program: RFS Annual Rules
L. State Heating Oil Mandates	A number of northeastern states passed legislation that reduces the maximum sulfur content of heating oil to between 15 ppm and 50 ppm in different phases through 2016	All state regulations included as legislated. 2013 EIA heating oil consumption data are used to calculate respective state census division shares for new	Vermont Energy Act of 2011, Maine State Legislature HP1160, New Jersey State Department of Environmental Protection, Amendment N.J.A.C.

Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
		consumption of low sulfur diesel as heating oil	7:27-9.2, New York State Senate Bill 51145C
M. California Low Carbon Fuel Standard (LCFS)	California passed legislation that aims to reduce the carbon intensity (CI) of motor gasoline and diesel fuels sold in California by 10% between 2012 and 2020 through the increased sale of alternative <i>low-carbon</i> fuels. In 2018, the LCFS was extended through 2030 with an additional 10% planned reduction in carbon intensity, for a total 20% reduction relative to the 2010 baseline	The LCFS is included as legislated for gasoline and diesel fuel sold in California and for other regulated fuels	California Air Resources Board (CARB), Final Regulation Order: Subarticle 7. Low Carbon Fuel Standard
Oregon Clean Fuels Program (CFP)	Oregon passed legislation that aims to reduce the carbon intensity (CI) of motor gasoline and diesel fuels sold in Oregon by 10% by 2025 from the 2015 baseline, followed by a 20% reduction by 2030 and 37% by 2035	The CFP is included as legislated for gasoline and diesel fuel sold in Oregon and for other regulated fuels. The update to the CFP extending legislation to 2030 and 2035 is not included in AEO2023	Oregon Department of Environmental Quality (DEQ), Permanent Administrative Order DEQ 199-2018, Chapter 340
N. California Assembly Bill 32 (AB32)	The California AB32, the Global Warming Solutions Act of 2006, authorized the California Air Resources Board to set GHG reduction goals for 2020 for California. A cap-and-trade program was designed to enforce the caps. The cap-and-trade program applies to multiple economic sectors including electric power plants, large industrial facilities, and suppliers of natural gas. Emissions resulting from electricity generated outside California but consumed in the state are also subject to the cap	The AB32 cap-and-trade was more fully implemented in AEO2013, in which industrial facilities, refineries, fuel providers, and non-CO ₂ GHG emissions were added to the representation already in the electrical power sector of NEMS. In addition, limited banking and borrowing, as well as an allowance reserve and offset purchases, were modeled, providing some compliance flexibility and cost containment	California Code of Regulations, Subchapter 10 Climate Change, Article 5, Sections 95800 to 96023, Title 17, California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, (Sacramento, CA: July 2011)
O. EPA Waiver	EPA approved two waivers for the use of ethanol motor gasoline blends of up to 15% in 2001 vehicles and newer	These two waivers were included and modeled based on forecast vehicle fleets and potential infrastructure and liability setbacks	EPA-HQ-OAR-2009-0211; FRL-9215-5, EPA-HQ-OAR-2009-0211; FRL-9258-6
P. U.S. Department of Commerce, Bureau of Industry and Security (BIS): clarification on the export of crude oil under the Export	The definition of crude oil excludes hydrocarbon mixtures that have been processed through a crude oil distillation tower	Processed American Petroleum Institute (API) 50+ crude oil is assumed to be processed condensate and is allowed to be exported	Crude oil was defined in Section 754.2 of the EAR on December 30, 2014, and was subsequently moved to Section 772.1 on May 12, 2016; see page 13

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
	Administration Regulations (EAR)			
Q.	U.S. Congress, H.R. 1314—Bipartisan Budget Act of 2015, Title IV – Strategic Petroleum Reserve, Sec. 401-404, 114th Congress (2015–2016)	Sec. 401-404 requires a test drawdown, actual drawdown, and sale of crude oil from the Strategic Petroleum Reserve (SPR) during FY 2018–FY 2025	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.1314—Bipartisan Budget Act of 2015
R.	U.S. Congress, H.R. 22—FAST Act, Sec. 32204, Strategic Petroleum Reserve drawdown and sale, 114th Congress (2015–2016)	Sec. 32204 requires drawdown and sale of crude oil from the SPR during a specified timeframe	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.22—Fixing America’s Surface Transportation Act
S.	U.S. Congress, H.R. 2029—Consolidated Appropriations Act, 2016, Division O—Other matters, Title I—Oil Exports, Safety Valve, and Maritime Security, 114th Congress (2015–2016)	Title 1, Sec. 101 ends the ban on U.S. crude oil exports; however, under extenuating circumstances, the President may restrict U.S. crude oil exports for no more than one year	Any crude oil produced in the United States is allowed to be exported	H.R.2029—Consolidated Appropriations Act, 2016
T.	U.S. Congress, H.R.34 – 21st Century Cures Act, Sec. 5010, Strategic Petroleum Reserve drawdown, 114th Congress (Dec. 4, 2015)	Sec. 5010 requires drawdown and sale of crude oil from the SPR during FY 2017–FY 2019 (Public Law 114-255)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.34—21st Century Cures Act, Dec. 4, 2015
U.	U.S. Congress, H.R.1 – An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Sec. 2003, Strategic Petroleum Reserve drawdown and sale, 115th Congress (Dec. 22, 2017)	Sec. 20003 requires drawdown and sale of crude oil from the SPR during FY 2026–FY 2027 (Public Law 115-97)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.1—Sec. 20003, Public Law 115-97, Dec. 22, 2017
V.	U.S. Congress, H.R.1892 - Bipartisan Budget Act (BBA) of 2018, Sec. 30204, Strategic Petroleum Reserve drawdown, 115th Congress (Feb. 8, 2018)	Sec. 30204 requires drawdown and sale of crude oil from the SPR during FY 2022–FY 2027 (Public Law 115-123)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.1892—Bipartisan Budget Act of 2018, Feb. 8, 2018
W.	U.S. Congress, H.R.1625 – Consolidated Appropriations Act, 2018, Sec. 501, Strategic Petroleum Reserve drawdown, 115th Congress (March 23, 2018)	Sec. 501 requires drawdown and sale of crude oil from the SPR during FY 2020–FY 2021 (Public Law 115-123)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.1625—Consolidated Appropriations Act, 2018, March 23, 2018

	Legislation	Brief description	Annual Energy Outlook (AEO) handling	Basics
X.	U.S. Congress, S.2800 – America’s Water Infrastructure Act of 2018, Sec. 3009, Strategic Petroleum Reserve drawdown, 115th Congress (Oct. 23, 2018)	Sec. 3009 requires drawdown and sale of crude oil from the SPR during FY 2028 (Public Law 115-270)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	S.2800—America’s Water Infrastructure Act of 2018, Oct. 23, 2018
Y.	U.S. Congress, H.R.3684 – Infrastructure Investment and Jobs Act, Sec. 90002, Strategic Petroleum Reserve drawdown and sale, 117th Congress (Nov. 15, 2021)	Sec. 90002 requires drawdown and sale of crude oil from the SPR during FY 2028–FY 2031 (Public Law 117-58)	Explicitly represents the crude oil withdrawals from the SPR as specified by the act	H.R.3684—Infrastructure Investment and Jobs Act, Nov. 15, 2021
Z.	Inflation Reduction Act (IRA), as amended by the One Big Beautiful Bill Act of 2025			Public Law 117-169, Public Law 119-21
	Section 13201 Extension of incentives for biodiesel, renewable diesel, and alternative fuels	This provision allows the biodiesel and renewable diesel credit and an alternative fuel credit through December 31, 2024.	We apply the tax credit through 2024. The 45Z clean fuel production credit changes made by OBBBA section 70521 replace this provision	
	Section 13202 Extension of second-generation biofuel incentives	This provision extends a tax credit for second-generation biofuel production.	We apply the tax credit through 2024. The 45Z clean fuel production credit changes made by OBBBA section 70521 replace this provision.	
	Section 13203 Sustainable aviation fuel credit	This provision reduces the sustainable aviation fuel credit equal to \$1.00 per gallon starting in 2025.	We implemented a simplified version of this credit through 2029 based on sustainable aviation fuel credit changes made by OBBBA section 70521	
	IRA Section 13704 Clean fuel production tax credit, amended by OBBBA Section 70521 Extension and modification of clean fuel production credit	Extends the 45Z clean fuel production credit through Dec 31, 2029, and removes eligibility for imports. Reduces the sustainable aviation fuel credit equal to \$1.00 per gallon starting in 2025.	We implemented a simplified version of this credit for certain qualified fuels.	

Data source: U.S. Energy Information Administration, Office of Energy Analysis

Appendix A. Existing State-level Clean Energy Policies in the AEO2026 Counterfactual Baseline Case

To the extent possible, the AEO2026 reflects state laws and regulations enacted as of December 2025, which include minimum requirements for clean energy generation or capacity for load-serving entities operating in states. We do not include zero-emission credit policies within this group. The AEO2026 projections do not include laws and regulations with voluntary goals. We include policies that are enacted in legislation or set forth by state-level executive branch entities.

AEO2026 assumes that states will meet their clean energy standards and targets. We estimate compliance constraints in most regions; however, because NEMS is not a state-level model, each state generally represents a portion of one or more NEMS electricity regions. In general, we have confirmed the requirements for each state through original legislative or regulatory documentation.

For clean energy generation requirements (Table 1), states meet required levels of renewable generation based on qualified generation or purchases of renewable energy credits.¹ The modeled requirements may differ from the written legislation based on the limitations in the model. For example, policies designed to create an economy-wide carbon-neutral state are modeled as a 100% clean electricity standard because our National Energy Modeling System (NEMS) is limited in constraining carbon emissions. For AEO2026, a complete review of all states was implemented.

Table A1. State Renewable Portfolio Standards (RPS) and Clean Energy Standards (CES) in AEO2026

State	Policy Title	Year	Target	Technology	ACP (\$/MWh)
Arizona	Renewable Energy Standard and Tariff	2025	IOU: 15%, COOP: 15%	Biomass, Biomass CCS, Geothermal, New Hydro, Solar, Solar Thermal, Wind	
California	Renewables Portfolio Standard	2030	Overall: 60%	Biomass, Biomass CCS, Geothermal, New Hydro, Solar, Solar Thermal, Wind	
California	Executive Order B-55-18	2045	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Colorado	House Bill 10-1001	2020	IOU: 30%, COOP: 14%, MUNI: 10%, OTHER: 10%	Biomass, Biomass CCS, Geothermal, Existing Hydro, Solar, Solar Thermal, Wind	
Colorado	Senate Bill 19-236	2050	IOU: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Connecticut ²	An ACT Concerning Energy Affordability, Access & Accountability	2030	Overall: 44%	Biomass, Biomass CCS, Fuel Cells, Geothermal, New Hydro, New Nuclear, Solar, Solar Thermal, Wind	\$55.00
Connecticut	An Act Concerning Climate Change Mitigation	2040	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Fuel Cells, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	

¹ G. Barbose, *U.S. Renewables Portfolio and Clean Electricity Standards: 2025 Status Update* (Berkeley, CA: Lawrence Berkeley National Laboratory, August 2025).

² Connecticut's [Public Act No. 25-173](#) (July 2025) lowered its 2030 Class I RPS target from 40% to 29% (Class II and Class III 4% requirements remained the same). This was *NOT* included AEO2026 but will be included in future outlooks.

State	Policy Title	Year	Target	Technology	ACP (\$/MWh)
DC	Clean Energy DC Omnibus Amendment Act	2032	Overall: 100%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$50.00
DC	Local Solar Expansion Act	2042	Overall: 15%	Solar, Solar Thermal	\$100.00
Delaware	Renewable Energy Portfolio Standards Act	2035	Overall: 40%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind, Distributed Solar (3x multiplier), Distributed Wind (1.5x multiplier)	\$30.00
Delaware	Renewable Energy Portfolio Standards- Solar	2035	Overall: 10%	Solar, Solar Thermal, Distributed Solar (3x multiplier)	\$150.00
Illinois	Climate and Equitable Jobs Act- RPS	2040	IOU: 50%, OTHER: 50%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
Illinois	Climate and Equitable Jobs Act- Wind	2030	IOU: 18%, OTHER: 18%	New Wind	
Illinois	Climate and Equitable Jobs Act- Solar	2030	IOU: 22%, OTHER: 22%	New Solar	
Illinois	Climate and Equitable Jobs Act- CES 100	2050	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Maine	An Act to Reform Maine's Renewable Portfolio Standard	2040	Overall: 60%	New Biomass, Biomass CCS, Fuel Cells, Geothermal, New Hydro, Solar, Solar Thermal, Wind	\$50.00
Maine	An Act to Advance a Clean Energy Economy	2040	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Fuel Cells, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Maryland	Clean Energy Jobs Act of 2019	2030	Overall: 52%	Biomass, Biomass CCS, Geothermal, Solar, Solar Thermal, Wind	\$22.40
Maryland	Clean Energy Jobs Act of 2019- Solar	2030	Overall: 14%	Solar, Solar Thermal	\$22.40
Maryland	Clean Energy Jobs Act of 2019- Wind	2030	IOU: 13%, COOP: 13%, MUNI: 2%, OTHER: 13%	Wind	\$22.40
Maryland	Clean Energy Jobs Act of 2019- Hydro	2020	Overall: 2%	Hydro	\$15.00
Massachusetts	An Act Advance Clean Energy	2050	Overall: 80%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$35.00
Michigan	Clean and Renewable Energy and Energy Waste Reduction Act- RPS	2035	Overall: 60%	Biomass, Biomass CCS, Geothermal, Existing Hydro, Solar, Solar Thermal, Wind	
Michigan	Clean and Renewable Energy and Energy Waste Reduction Act- CES	2040	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Minnesota	House File 7- RPS	2035	IOU: 56%, COOP: 55%, MUNI: 55%, OTHER: 55%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
Minnesota	Solar Energy Standard	2035	IOU: 2%	Solar, Solar Thermal	
Minnesota	House File 7- CES	2040	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Missouri	Clean Energy Act	2021	IOU: 15%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
Missouri	Clean Energy Act- Solar	2021	IOU: 0.3%	Solar, Solar Thermal	

State	Policy Title	Year	Target	Technology	ACP (\$/MWh)
Nebraska	Nebraska Net-Zero Carbon Goal	2050	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Nevada	Senate Bill 358	2030	Overall: 50%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
New Hampshire	Electric Renewable Portfolio Standard	2025	IOU: 25%, COOP: 25%, MUNI: 0%, OTHER: 25%	New Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$61.20
New Jersey	Assembly Bill 3723	2030	Overall: 52%	Biomass, Biomass CCS, Fuel Cells, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$50.00
New Jersey	Assembly Bill 3723- Solar	2031	Overall: 1%	Solar, Solar Thermal	\$128.00
New Mexico	Renewable Energy Act-RPS	2040	IOU: 80%, COOP: 75%, MUNI: 75%, OTHER: 80%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
New Mexico	Renewable Energy Act-CES	2050	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
New York	Senate Bill 6599-RPS	2030	Overall: 70%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
New York	Senate Bill 6599-CES	2040	Overall: 100%	Biomass, Biomass CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
North Carolina	Clean Energy and Energy Efficiency Portfolio Standard	2021	IOU: 12%, COOP: 10%, MUNI: 10%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	
North Carolina	House Bill 951	2050	IOU: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Ohio	Alternative Energy Portfolio Standard	2026	IOU: 8%, OTHER: 8%	Biomass, Biomass CCS, Fuel Cells, Geothermal, Hydro, Pumped Storage, Solar, Solar Thermal, Storage, Wind	\$45.00
Oregon	Clean Energy Targets	2040	IOU: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Pennsylvania	Alternative Energy Portfolio Standard- RPS	2020	IOU: 8%	Biomass, Biomass CCS, Geothermal, New Hydro, Solar, Solar Thermal, Wind	\$45.00
Pennsylvania	Alternative Energy Portfolio Standard- Solar	2020	IOU: 0%	Solar, Solar Thermal	
Rhode Island	House Bill 7277	2033	Overall: 100%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$50.00
Vermont	Renewable Energy Standard	2035	Overall: 100%	Biomass, Biomass CCS, Geothermal, Hydro, Solar, Solar Thermal, Wind	\$10.00
Virginia	Senate Bill 851	2050	IOU: 100%, OTHER: 100%	Biomass, Biomass CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	
Washington	Senate Bill 5116	2045	Overall: 100%	Biomass, Biomass CCS, Fossil CCS, Geothermal, Hydro, Nuclear, Solar, Solar Thermal, Wind	\$50.00
Wisconsin	Renewable Portfolio Standard	2015	IOU: 10%, COOP: 10%, MUNI: 10%	Biomass, Biomass CCS, Geothermal, New Hydro, Solar, Solar Thermal, Wind	

Data source: U.S. Energy Information Administration, *Annual Energy Outlook 2026*

Note: IOU=Investor-Owned Electric Utility, COOP=Rural Electric Cooperative, MUNI=Municipally Owned Utility, ACP=Alternative Compliance Payment, MWh=megawatthour

Table A2 and Table A3 show enforceable state level capacity targets for battery storage and offshore wind. States that have announced aspirational goals, without a clear policy enforcement mechanism, are not listed and were not included in AEO2026.

Table A2. State energy storage capacity targets

megawatts (MW)

State	Policy title	End year	Target
Maryland	Maryland Energy Storage Program	2033	3,000
Massachusetts	Senate Bill 2967	2030	3,500
Michigan	Public Act 235	2029	2,500
Nevada	Senate Bill No. 204	2030	1,000
New Jersey	A.B. 3723	2030	2,000
New York	Order Establishing Updated Storage Goal & Deployment Policy	2030	6,000
Rhode Island	Energy Storage Systems Act	2033	600
Virginia	Regulations Governing the Deployment of Energy Storage	2035	3,100

Data source: U.S. Energy Information Administration, *Annual Energy Outlook 2026*

Table A3. State offshore wind capacity targets

megawatts (MW)

State	Policy title	End year	End year adjusted	Target	Lease cap	Target adjusted
Connecticut	Act Concerning the Procurement of Energy Derived from Offshore Wind	2030	2034	2,000	2,100	2,000
Maine	Maine Wind Energy Act	2040	2040	3,000	8,889	3,000
Maryland	Maryland Public Utilities Code	2031	2035	8,500	1,614	1,614
Massachusetts	Act Driving Clean Energy and Offshore Wind	2050	2050	5,600	14,177	5,600
New Jersey	Executive Order No.307	2040	2040	11,000	10,950	10,950
New York	Climate Leadership and Community Protection Act	2035	2035	9,000	6,550	6,550
Rhode Island	Affordable Clean Energy Security Act	2030	2034	600	2,100	600
Virginia	An Act...relating to the development of offshore wind capacity	2032	2036	5,200	5,856	5,200

Data source: U.S. Energy Information Administration (EIA), *Annual Energy Outlook 2026* (AEO2026)

Note: Due to the conflict between state offshore wind targets and the [Presidential Executive Order to halt permit and leases for offshore wind projects](#), for AEO2026, EIA delayed the end target year for near term targets and also constrained the maximum capacity for each target based on land availability not including federal lands.