

United States Senate

WASHINGTON, DC 20510

March 18, 2024

The Honorable Jerome Powell
Chair
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chair Powell:

We write today to express concern regarding the damaging impact of the Federal Reserve’s (the Fed) 2022 and 2023 interest rate hikes on major infrastructure projects across the country. The Fed has raised interest rates 11 times since March 2022, pushing rates to their highest levels in over 20 years and retaining them at that level since August 2023.¹ At its most recent meeting, the Board of Governors left rates stable, after indicating that rate cuts were likely coming at some point this year in its December 2023 meeting – but you have still indicated that “the path forward is uncertain,”² and other members of the Federal Open Market Committee have expressed doubts about cutting rates in the short term.³

Your decision to rapidly raise interest rates beginning in 2022, and the potential that they may remain too high for too long, has halted advances in deploying renewable energy technologies and delayed significant climate and economic benefits from these projects.⁴ Even as demand for clean solar, wind, and electric power grows – driven by the *Inflation Reduction Act’s* (IRA) federal tax incentives – the Fed’s interest rates have stalled progress and hampered the country’s ability to combat the climate crisis.⁵

¹ CNBC, “Fed officials expressed caution about lowering rates too quickly at last meeting, minutes show,” Jeff Cox, February 21, 2024, <https://www.cnbc.com/2024/02/21/fed-minutes-january-2024.html>; NPR, “The Fed held interest rates steady – but the fight against inflation is not over yet,” Scott Horsley, November 1, 2023,

<https://www.npr.org/2023/11/01/1209737069/federal-reserve-interest-rates-economy-inflation-jobs-unemployment>.
² *Id.*; New York Times, “Federal Reserve Meeting: Fed Signals Rate Cuts in 2024,” Jeanna Smialek, December 13, 2023, <https://www.nytimes.com/live/2023/12/13/business/fed-meeting-interest-rates>.

³ Bloomberg, “Bostic Sees Fed Pausing After Just One Rate Cut in Third Quarter,” Steve Matthews, March 4, 2024, <https://www.bloomberg.com/news/articles/2024-03-04/fed-s-bostic-says-third-quarter-cut-likely-followed-by-pause>.
CNBC, “Fed’s Waller wants more evidence inflation is cooling before cutting interest rates,” Jeff Cox, February 23, 2024, <https://www.cnbc.com/2024/02/22/feds-waller-wants-more-evidence-inflation-is-cooling-before-cutting-interest-rates.html>.

⁴ Politico, “Economic blows batter Biden’s clean energy goals,” Kelsey Tamborrino, Marie J. French, Ry Rivard, Gloria Gonzalez, November 11, 2023, <https://www.politico.com/news/2023/11/01/biden-offshore-wind-new-jersey-00124880>.

⁵ Inflation Reduction Act of 2022, H.R. 5376, <https://www.congress.gov/bill/117th-congress/house-bill/5376/text>.

Recent reports have indicated that several auto manufacturers have postponed their plans to increase their production of electric vehicles (EVs) in response to skyrocketing interest rates. Ford decided to delay production of an EV battery plant in Kentucky, citing “uncertainty about demand for EVs.”⁶ Tesla has slowed their EV production capacity due to “higher borrowing costs.”⁷ Consumer demand has slowed in response to high interest rates. In sum, “the market is wobbling as high interest rates dampen consumer demand for electric and other vehicles.”⁸

Large-scale clean energy projects have also encountered headwinds from the Fed’s decisions to raise interest rates. Puerto Rico needed an additional \$700 million on top of an initial \$4.6 billion in federal funding to move forward 11 solar projects.⁹ Orsted has pulled out of two massive New Jersey offshore wind projects, citing “skyrocketing interest rates” as a factor that has “dogged wind energy projects up and down the East Coast.”¹⁰ Orsted also withdrew from their Skipjack Wind 1 and 2 offtake agreements for projects off the Delaware-Maryland-Virginia (Delmarva) peninsula, explaining that its payment amounts were “no longer commercially viable because of today’s challenging market conditions, including inflation, high interest rates and supply chain constraints.”¹¹ Rhode Island Energy decided against moving forward on negotiating a long-term power purchase agreement with Orsted and Eversource for an offshore wind proposal, noting that higher interest rates “likely contributed to higher proposed contract costs.”¹² In the Midwest and on the West Coast, solar and battery storage developers are concerned about meeting their financial goals given high interest rates.¹³

The Biden administration has endeavored to increase the 41 megawatts of current offshore wind capacity to 30,000 megawatts by 2030.¹⁴ But with financing costs that have “spiraled” since the

⁶ WDRB, “Ford to delay second of two EV battery plants in Kentucky,” Chris Otts, October 26, 2023, https://www.wdrb.com/news/business/ford-to-delay-second-of-two-ev-battery-plants-in-kentucky/article_40ff1e9e-7449-11ee-b0e2-f7ec41a405ef.html.

⁷ Reuters, “Tesla joins GM, Ford in slowing EV factory ramp as demand fears spread,” Abhirup Roy and Ben Klayman, October 19, 2023, <https://www.reuters.com/business/autos-transportation/tesla-joins-gm-ford-slowing-ev-factory-ramp-demand-fears-spread-2023-10-19/>.

⁸ Fortune, “Mercedes exec says EV market is a ‘pretty brutal space’ because price wars and high interest rates are making it an unsustainable business,” Paige Hagy, October 26, 2023, <https://finance.yahoo.com/news/mercedes-exec-says-ev-market-194213488.html?guccounter=1>.

⁹ Politico, “Economic blows batter Biden’s clean energy goals,” Kelsey Tamborrino, Marie J. French, Ry Rivard, Gloria Gonzalez, November 11, 2023, <https://www.politico.com/news/2023/11/01/biden-offshore-wind-new-jersey-00124880>.

¹⁰ CNN, “Energy company pulls the plug on two major offshore wind projects on East Coast,” Ella Nilsen, November 1, 2023, <https://www.cnn.com/2023/11/01/us/orsted-wind-energy-canceled-climate/index.html>.

¹¹ Orsted, “Skipjack Wind to be repositioned for future offtake opportunities,” January 25, 2024, press release, <https://orsted.com/en/media/news/2024/01/skipjack-wind-to-be-repositioned-for-future-offtak-815811>.

¹² PPL, “Rhode Island Energy not moving forward on sole bid received in most recent offshore wind solicitation,” press release, July 18, 2023, <https://news.pplweb.com/news-releases?item=137899>.

¹³ E&E News, “Rising power costs spark fears of clean energy slowdown,” David Iaconangelo, September 13, 2023, <https://www.eenews.net/articles/rising-power-costs-spark-fears-of-clean-energy-slowdown/>.

¹⁴ Reuters, “Why the US offshore wind industry is in the doldrums,” Scott Disavino and Nerijus Adomaitis, October 31, 2023, <https://www.reuters.com/sustainability/why-us-offshore-wind-industry-is-doldrums-2023-10-31/>; The White House, “Fact Sheet: Biden Administration Jumpstarts Offshore Wind Energy Projects to Create Jobs,” March 29, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/29/fact-sheet-biden-administration-jumpstarts-offshore-wind-energy-projects-to-create-jobs/>.

Fed boosted interest rates, developers have struggled to maintain consistent progress in their projects.¹⁵ Renewable energy projects are sensitive to rates since debt comprises “as much as 85% to 90% of capital expenditures.”¹⁶ High rates have disrupted and, in some cases, completely tanked major renewable infrastructure projects across the country. Last year, SouthCoast Wind and Commonwealth Wind paid termination fees to the Massachusetts Department of Public Utilities to back out of offshore wind contracts that were expected to generate a combined 2,400 megawatts of power.¹⁷

The passing of the IRA motivated a wave of action to advance clean energy projects to mitigate and address climate change. A September 2023 analysis by Climate Power found that:

New manufacturing in wind, solar, batteries, electric vehicles (EVs), and storage projects across the country mean new, good-paying jobs for hard-working Americans. In just under a year, companies have announced or moved forward with projects accounting for more than 211,350 new clean energy jobs for electricians, mechanics, construction workers, technicians, support staff, and many others.¹⁸

In addition, these investments will reduce energy costs for American families. An analysis of the IRA when it was passed indicated that it “would save typical American households up to \$220 per year over the next decade and substantially reduce electricity price volatility.”¹⁹ Other analysts have summarized how the IRA would cut consumer costs:

[T]he IRA also commits \$9 billion in residential tax credits, rebates, and other investments for building new electric and energy-efficient homes, replacing fossil-fuel-reliant systems in existing homes with electric equivalents, and training a workforce for the jobs required to do so.

These policies shift households’ upfront costs for technologies such as heat pumps, air conditioning, and induction stoves to payments that families can use immediately—effectively lowering the costs of these technologies which, in turn, will save households an average of \$1,800 per year.²⁰

¹⁵ Reuters, “Why the US offshore wind industry is in the doldrums,” Scott Disavino and Nerijus Adomaitis, October 31, 2023, <https://www.reuters.com/sustainability/why-us-offshore-wind-industry-is-doldrums-2023-10-31/>

¹⁶ Wall Street Journal, “Green Energy Is Stuck at a Financial Red Light,” Jinjoo Lee, March 31, 2023, <https://www.wsj.com/articles/green-energy-financing-interest-rates-3f0e3dc3>.

¹⁷ WBUR, “Utilities agree to let Commonwealth Wind out of contracts for \$48 million,” Chris Lisinski, July 19, 2023, <https://www.wbur.org/news/2023/07/19/commonwealth-wind-utility-companies-scrap-contracts>; Commonwealth Beacon, “DPU approves termination of SouthCoast wind contract,” Bruce Mohl, October 2, 2023, <https://commonwealthbeacon.org/energy/dpu-approves-termination-of-southcoast-wind-contract/>.

¹⁸ Climate Power, “Clean Energy Boom: The 211,350 (and Counting) New Clean Energy Jobs Across the United States,” September 30, 2023, p.1, <https://climatepower.us/wp-content/uploads/sites/23/2023/11/Clean-Energy-Boom-Report-200K.pdf>.

¹⁹ Resources for the Future, “Inflation Reduction Act Will Decrease and Stabilize Household Electricity Prices,” press release, August 4, 2022, <https://www.rff.org/news/press-releases/inflation-reduction-act-will-decrease-and-stabilize-household-electricity-price/>.

Your interest rate increases have jeopardized the IRA’s opportunities to create new green jobs and cut electricity costs, despite the Fed’s mission to “promote maximum employment, stable prices, and moderate long-term interest rates in the U.S. economy.”²¹ As you consider the Fed’s interest rate policies in the March Federal Open Market Committee meeting and beyond, we urge you to cut interest rates throughout 2024 to allow for continued progress on clean energy projects and the climate and economic benefits these projects provide.

Thank you for your attention to this important matter.

Sincerely,



Elizabeth Warren
United States Senator



Sheldon Whitehouse
United States Senator

²⁰ Brookings Institute, “The Inflation Reduction Act will reduce household energy insecurity—but it could do more,” Carlos Martín, August 22, 2022, <https://www.brookings.edu/articles/the-inflation-reduction-act-will-reduce-household-energy-insecurity-but-it-could-do-more/>.

²¹ Board of Governors of the Federal Reserve System, “About the Fed,” <https://www.federalreserve.gov/aboutthefed.htm>.