The Bottom Line: How Federal Climate Policy Rollbacks Can Hurt the U.S. Economy

Over the next decade, U.S. federal clean energy policies, including the Inflation Reduction Act (IRA), Bipartisan Infrastructure Law (BIL), and EPA regulations on power plants and tailpipe emissions, were expected to deliver major economic, health, and climate benefits by driving clean energy investment, manufacturing, and production. However, since January 2025, the U.S. federal government has taken a wide range of steps to roll back these critical policies. In support of these actions, Congress is in the midst of developing and passing a budget reconciliation bill that includes a near-total repeal of the Inflation Reduction Act.

The Center for Global Sustainability (CGS) at the University of Maryland released a new analysis demonstrating how repealing key federal environmental and clean energy policies would substantially damage the U.S. economy and public health. Federal clean energy policy rollbacks in the United States can result in:

- **A cumulative $1.1 trillion loss in the U.S. GDP by 2035**
- **A cumulative $160 billion drop in disposable income by 2035**
- **An additional cumulative 22,800 deaths of Americans by 2035**
- **A nearly 10% higher annual PM2.5 concentration in 2035**
- **A $206 average annual increase in household energy costs in 2035**

The analysis models two distinct scenarios to represent the impacts of potential federal policy rollbacks. The *Current Policies* scenario includes key, on-the-books policies at the federal and non-federal levels (as of December 2024), including provisions in the IRA, BIL, and EPA regulations, as well as state-level policies. The *Federal Rollbacks* scenario assumes a complete repeal of federal climate legislation and regulations after 2025, including the IRA, BIL, and EPA regulations, but maintains the state-level policies listed in the *Current Policies* scenario.

The benefits of federal clean energy policies like the Inflation Reduction Act extend beyond emissions reductions, creating significant economic opportunities. Halting the planned transformation of the energy system has multi-level consequences on areas including national economic output, household energy costs, and income stability across states. Investment uncertainty stemming from changes at the federal level, including tariffs, has already contributed to an $8 billion loss due to cancelled or downsized clean energy projects. This analysis finds that eliminating clean energy and climate policies would lead to increased costs for Americans, with households suffering a nearly $160 billion loss in disposable income by 2035 and a $26 billion loss in 2035 alone due to the cascading effects of repealing clean energy tax credits and other federal clean energy policies.

Furthermore, in addition to the U.S. GDP loss of $1.1 trillion by 2035, state-level GDP would also be affected across the United States. Under federal policy rollbacks, Americans in all states and regions will be affected, but the distribution of economic impacts is uneven. Overall, the report finds that states with ambitious climate policies and less reliance on fossil fuels would face less severe economic impacts, though other dynamics like population size still

Authors: Alicia Zhao[1], Ryna Cui[1], Carla Campos Morales[2], Jiaxun Sun[3], Wei Peng[2], Claire Squire[1], Kiara Ordonez Olazabal[1], Xiangjie Chen[3], Xinyuan Huang[2], Kuishuang Feng[3], Adriana Bryant[1], Laura Hinkle[1], Stephanie Vo[1], Michelle Faggert[1], Camryn Dahl[1], Nate Hultman[1]
[1] Center for Global Sustainability, University of Maryland
[2] Andlinger Center for Energy and the Environment and School of Public and International Affairs, Princeton University
[3] Department of Geographical Sciences, University of Maryland

Download the report to learn more at go.umd.edu/ImpactsofFedClimateRollbacks

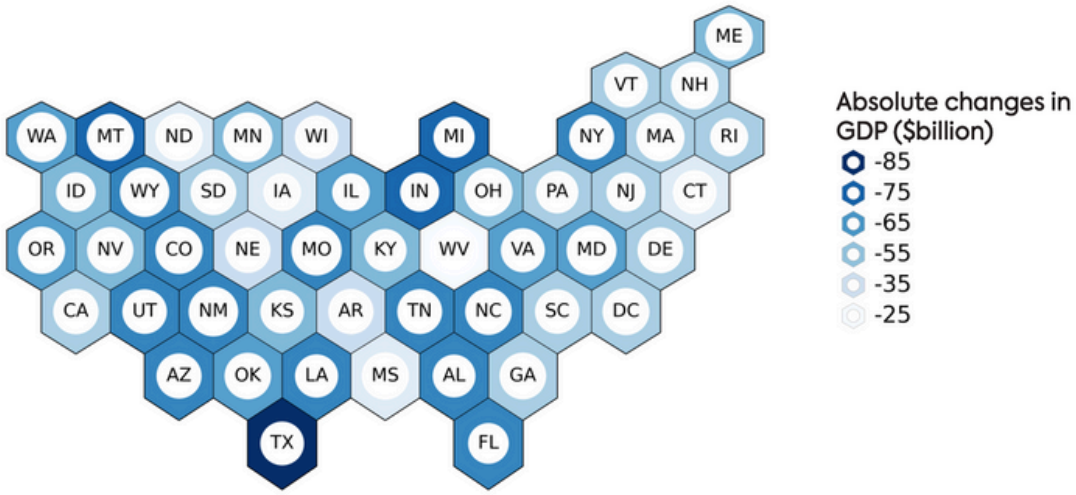
SCHOOL OF PUBLIC POLICY
CENTER FOR GLOBAL SUSTAINABILITY

play a role. In terms of the absolute GDP loss, the most affected states are Texas, Michigan, Indiana, and Montana, ranging from a loss of $5.3-$8.8 billion per state in 2035. In terms of percentage change, the largest reductions are in Alaska, Wyoming, Vermont, and Montana, which see GDP losses of 4.5% - 5.3%.

At the household level, repealing low-cost clean energy and energy efficiency programs would increase annual energy costs by hundreds of dollars. The study finds that home energy costs would rise by $206 per year in 2035 with federal policy rollbacks. In some states, household costs could reach $339 annually by 2035. Coupled with an overall decrease in household disposable income, the economic ramifications would be felt across all 50 states. Despite these losses, there are a number of opportunities for enhanced subnational action, which can counteract some of the impacts of rollbacks at the federal level.

Download the report to learn more.

(a) Absolute changes in GDP under *Federal Rollbacks*



(b) Relative changes in GDP under *Federal Rollbacks*

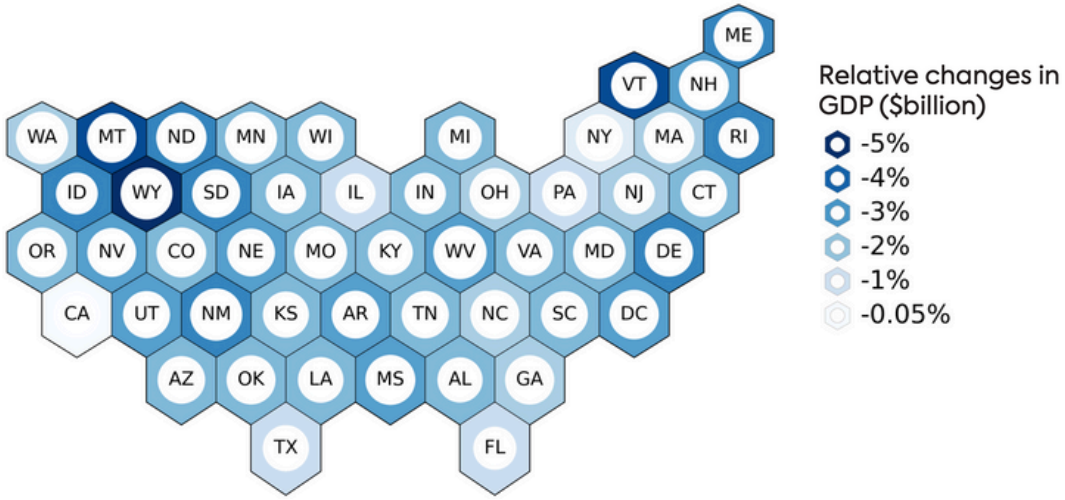


Figure 1. Changes in state-level GDP in 2035 under *Federal Rollbacks* relative to *Current Policies*. Panel a) shows absolute changes in GDP, in units of billion dollars. Panel b) shows relative changes in GDP, in units of percent change.