The Real Estate Roundtable

Real Estate's Role in Unleashing America's Energy Dominance

Energy

Summary

President Trump's Executive Order on "Unleashing American Energy" calls for policies to: cut energy costs; strengthen the nation's electric grid by developing "base load" power resources (coal, gas, nuclear) over intermittent sources (solar, wind); streamline federal permitting of energy infrastructure projects; and ensure America wins the global race for AI leadership.

The U.S. commercial real estate industry has a central role to play in achieving the country's energy and economic goals. With energy demand surging, real estate is a critical partner to support energy investments, increase energy efficiency, and deliver energy savings across the economy.

Key Takeaways

- **No energy should be wasted and efficiency should be prioritized.** Doing more with less energy consumption is the most cost-effective way for buildings to lower utility bills for owners and tenants, and strengthen U.S. energy security. Building retrofits that use less energy save consumers money, support grid reliability, and free up power for AI data centers, mining crypto, and re-shoring the U.S industrial base.
- **Grid reliability is essential**. It is crucial to expand grid capacity and invest in long-distance transmission. Federal permitting reform is critical to speed up energy infrastructure projects.
- **RER supports a national "all of the above" energy strategy** that invests in building efficiency, grid modernization, faster permitting, and innovation across all energy sources.

Background

Electricity Demand is Spiking from a "Perfect Storm" of Multiple Forces

- AI and Data Centers: Expected to account for nearly half of global demand growth through 2030. (IEA 2025)
- EV Charging: Electric vehicles are expected to raise global power demand 6-8 percent by 2035. (IEA 2024)
- Manufacturing Reshoring: New U.S. facilities for semiconductors, batteries, and critical-minerals production will significantly increase industrial load. (CSIS 2024)
- Crypto Mining: U.S. Bitcoin mining consumes electricity equal to powering 6 million homes. (EIA 2024)
- Building Electrification: 40 percent of U.S. buildings now use electric heating—driven by codes, tenant preferences, and investor sustainability demands. (BOMA 2023)

Billions in Private Investments

- Unprecedented demand for electricity is prompting major private sector investments to shore-up the grid's security and reliability for "baseload" power (gas, oil, nuclear, hydro), amid the Trump administration's cancellation of Biden era clean energy funds.
- Investor-owned electric companies were forecasted to invest an unprecedented record-high **$208 billion in capital projects in 2025—a $30 billion increase from 2024**—to modernize transmission systems, expand capacity, and manage consumer costs, according to the Edison Electric Institute (EEI).

Major Energy Policy Shift

- Meanwhile, the Trump administration is cutting federal support "to get low-cost renewable projects on the grid"—cancelling billions in Biden administration project funding—and "pinning many of its promises of energy affordability on a nuclear moon shot." (PoliticoPro, Oct. 6, 2025).
- The sharp policy swing from has some members of Congress calling for a fuel agnostic, all-of-the-above national energy strategy. "We need every electron we can get if we want to be energy dominant. To do that, we should take every electron," said Sen. John Curtis (R-UT). (PoliticoPro, Oct. 6, 2025)

Permitting Reform is a Priority

- Permitting reform is a top bipartisan priority on Capitol Hill.
- The *SPEED Act* (HR 4776) passed the House on Dec. 18, 2025, to reform and streamline the process for federal environmental reviews to build energy infrastructure projects. The stage is now set for Senate talks.
- RER explained real estate's interest in energy permitting reform to spur housing and other economic development. (Letter, Dec. 8, 2025)
- RER also joined a multi-industy business coalition letter (Dec. 16, 2025) supporting the *SPEED Act*, explaining why a quicker permitting process advances U.S. economic growth.

Recommendations

Strengthen Grid Reliability and Expansion: Electricity demand is surging. Lawmakers must encourage investments to support quick, cost-effective, and reliable power.

Prioritize Building Efficiency: Reducing energy use in buildings—"nega-watts"—is the lowest-cost pathway to achieving U.S. energy dominance.

Embrace "All of the Above" Energy Creation: America must lead across all energy technologies, regardless of fuel source, to achieve America's energy dominance.

Pass Permitting Reform (SPEED Act): The National Environmental Policy Act (NEPA) must be reformed to speed up the lengthy, burdensome permitting process for new energy projects. Also, projects once approved should be allowed to finish—and later political administrations should be barred from revoking previously and legitimately issued permits.

The Real Estate Roundtable

Clean Energy Tax Incentives and the One Big Beautiful Bill (OB3) Act

Energy

Summary

On July 4, 2025, President Trump signed the One Big Beautiful Bill (OB3) Act into law. It makes significant changes to energy-related tax benefits pre-dating and modified by the Biden-era Inflation Reduction Act (IRA).

This document summarizes how the OB3 Act treats solar, storage, energy efficiency, and similar projects in commercial and multifamily real estate. A detailed fact sheet on RER's website (here) provides a deeper analysis of the complex rules regarding tax incentives that may accelerate ROI for energy-related cap ex projects.

Key Takeaways

Energy-related building investments that begin construction in 2025 and after should consider:

- **Tax credits that start to phase out over the next one to five years** (e.g., the Section 48E "tech neutral" credit for solar generation; the Section 179D deduction and 45L credit for energy efficiency projects; and the 30C credit for EV charging stations);
- **Tax credits that remain available well into the 2030s** (e.g., Section 48E for energy storage); and
- **Permanent options for "full expensing" that may accelerate tax write-offs** of energy-related building investments, regardless of Section 48E or other tax credit availability.

Background

Solar Tax Credits for Building-Related Energy Projects

- **"Small Solar" projects generating under 1 MW of electricity:** Can qualify for a 30 percent Section 48E tax credit without needing to satisfy the IRS's Davis-Bacon wage and Registered Apprenticeship (DB/RA) standards. Further, "Small Solar" can meet relatively straightforward IRS rules to determine the "beginning of construction" date using the so-called "Five Percent Safe Harbor" (see Notice 2025-42), which is key to 48E tax credit eligibility and expiration.
- **"Low Output" solar projects generating between 1 MW and 1.5 MW:** Must satisfy optional DB/RA rules to reach 30 percent tax credit levels. Easier "beginning of construction" rules are available under the Five Percent Safe Harbor.
- **Solar projects generating greater than 1.5 MW:** Must satisfy optional DB/RA rules for a 30 percent tax credit. More challenging "beginning of construction" rules apply under the "Physical Work" test (i.e., the Five Percent Safe Harbor is not available).
- **Phasedown of the current Section 48E "tech neutral" tax credit for solar and wind projects:** If a solar/wind project **begins construction in 2025**, it must be "placed in service" by the end of 2029. If construction **begins between Jan. 1-July 4, 2026**, the project must be "placed in service" by the end of 2030. If construction **begins on or after July 5, 2026**, the project must be "placed in service" by the end of 2027.
- Available credits may be **transferred to third parties unrelated to the taxpayer**.
- **Complex new "foreign entity of concern" (FEOC) provisions restrict projects from accessing Section 48E tax credits**. New FEOC rules require careful review and analysis. Projects that begin construction on or after Jan. 1, 2026, will **not** be eligible for Section 48E (and other) credits if they receive "material assistance" from a "prohibited foreign entity" (e.g., a Chinese company) that manufactures components like solar cells or batteries.

Storage and EV Charging Stations

- **The 48E tax credit remains fully available for energy storage projects through 2033**.
- **The amount of 48E credits for a storage project depends on its capacity**. A storage project with a capacity of less than 1 MW is eligible for a 30 percent 48E credit, whereas a capacity of 1 MW or more is eligible for a 30 percent 48E credit if it complies with the DB/RA option. If it does not comply with DB/RA, it is eligible for a 6 percent tax credit.
- **The 30C tax credit for EV charging stations remains available** for property "placed in service" by June 30, 2026.

Tax Incentives for Building Energy Efficiency Projects

- **The 45L tax credit for new energy-efficient homes:** Only available for homes "acquired" or rental units leased by June 30, 2026.
- **The 179D tax deduction for energy-efficient commercial and larger multifamily new construction and retrofits:** Projects must "begin construction" by June 30, 2026.

"Full Expensing" for Building-Related Energy Projects

- **Real estate businesses have a choice:** They can "elect" to deduct 100 percent of their business interest expense, **or** they can use favorable "bonus depreciation" rules to fully expense the costs of building improvements and "write off" all cap ex investments in the year they are placed in service. This "election" can be made on a partnership-by-partnership, or property-by-property, basis.
- **Real estate businesses opting for "full expensing" can write off all eligible energy-related project costs, with or without claiming energy tax credits.** A project may choose to "stack" both 48E credits and opt for bonus depreciation. An owner's tax basis in qualifying property is reduced by 50 percent of the credit amount, regardless of whether the taxpayer uses bonus depreciation or regular depreciation rules. If the property is later sold, the amount realized that exceeds the property's cost basis (after being reduced by the credit amount) may be treated as taxable gain.
- **What can be fully expensed:** Solar, energy storage, and EV charging property may be fully expensed. Existing **commercial** building energy efficiency "retrofit" components can be fully expensed if they meet the tax code's definition of "Qualified Improvement Property" (QIP)—non-structural, interior improvements to existing, non-residential portions of a commercial building. **Residential** "retrofit" efficiency components, by definition, are not QIP and are thus not eligible for full expensing.
- **Prevailing wage, apprenticeship, domestic content, and foreign entity restrictions**—which can limit access to clean energy tax credits—do **not** apply to "full expensing."

The Real Estate Roundtable

ENERGY STAR and Building Performance Standards

Energy

Summary

US-EPA's ENERGY STAR is a critical voluntary, non-regulatory public-private partnership focused on energy efficiency in buildings and products. Commercial, residential, and manufacturing stakeholders all rely heavily on ENERGY STAR certifications and other offerings.

The good news is that Congress is poised to pass sufficient ENERGY STAR funding for FY'26—a very positive development given the Trump administration's signals last sping to potentially de-fund and privatize the program.

Meanwhile, a number of progressive cities and states (map) have enacted building performance standards (BPS). These mandates impose rules regarding building emissions, electrification, and compliance timelines. The regulatory specifics vary from jurisdiction to jurisdiction—making compliance exceedingly complex and expensive. To help bring consistency to the nationwide "patchwork" of BPS regulations, **RER has developed a peer-reviewed policy guide outlining 20 key considerations for any jurisdiction adopting a BPS law.**

In addition, non-governmental organizations (NGOs) have developed their own BPS-type standards and climate accounting frameworks. Chief among these is the World Resources Institute's Greenhouse Gas (GHG) Protocol, and the Science Based Targets Initiative (SBTi). These NGO standards increasingly influence decisions of certain pension and sovereign wealth funds, pressuring CRE and other companies to "align" with "net-zero" targets as a condition to providing investment capital.

Key Takeaways

- **Voluntary, non-regulatory federal guidelines like ENERGY STAR recognizing "high performance" real estate remain critical.** These programs help quantify energy savings, attract capital, place less strain on the grid, and promote innovation in U.S. buildings.
- More than 330,000 buildings—representing nearly 25 percent of U.S. commercial building floor space—utilized EPA's Portfolio Manager software last year.
- ENERGY STAR-certified buildings achieve an average of 35 percent less energy usage compared to similar non-certified buildings. The program has saved businesses and families nearly $200 billion in utility bills since 1992, including $14 billion in 2024 alone.
- States and cities are adopting BPS mandates that often impose rigid electrification or net zero emissions targets. These laws vary significantly and frequently penalize buildings already recognized as high-performance assets under federal programs.

Background

Building Performance Standards

- No federal agency has authority from Congress to regulate private sector buildings through a national building performance standard (BPS).
- "Progressive" state and local governments are adopting and implementing BPS laws that impose energy and climate performance mandates on real estate.
- These laws typically set annual limits on how much energy buildings can use and how much greenhouse gases (GHGs) they can emit, with an ultimate goal of reaching net zero emissions around 2050.
- Failing to meet local BPS requirements can result in fines and penalties on buildings.
- The Trump administration's April 8, 2025 Executive Order on "Protecting American Energy from State Overreach" reflects the administration's view that "American energy dominance is threatened when State and local governments seek to regulate energy beyond their constitutional or statutory authorities."

ENERGY STAR and Building Performance Standards

The Real Estate Roundtable

Recommendations

Support ENERGY STAR: Programs like EPA's ENERGY STAR and "NextGen" certified buildings and DOE's Better Buildings initiative signify "high performance" real estate and are critical to unleashing America's energy dominance.

- **ENERGY STAR helps "unleash American energy dominance" aligned with President Trump's priorities.** It is key to the "all of the above" national energy strategy because it is the main U.S. government program focused on avoiding energy waste. It provides the federal standard to use all energy resources efficiently regardless of fuel source.
- ENERGY STAR is a **voluntary federal program**. It is a non-regulatory public-private partnership. It is embedded in how residential and commercial owners operate buildings and has supported the commercial real estate industry for more than 30 years.
- ENERGY STAR has always been **widely bipartisan**. On multiple occasions, big majorities of Congress during both Republican and Democratic administrations have authorized and funded the program.
- **U.S. commercial building owners use ENERGY STAR to save money and earn profit.** ENERGY STAR is all about the "business case" for energy efficiency. The program has saved families and businesses:
    - $200 billion in utility bills since inception; and $14 billion in energy cost savings in 2024 alone.
- ENERGY STAR assists real estate companies in helping their **renter families and business tenants lower their utility bills.** It gives owners the tools to effectively quantify and communicate how much energy tenants use in the spaces they lease.
- ENERGY STAR **improves grid reliability**. It quantifies how buildings can free-up capacity on the electric grid needed to grow AI, crypto markets, and U.S. manufacturing.
    - ENERGY STAR certified buildings—including data centers—use 35 percent less energy compared to similar buildings in their asset class.
    - In 2024, ENERGY STAR helped buildings and plants save kWh equal to about 92 percent of all electricity used in the state of Florida in a single year.
- The U.S. real estate industry needs ENERGY STAR to **attract investment capital**—especially from overseas. We use ENERGY STAR to push back against unrealistic "net zero" requirements from Europe and elsewhere.
- Real estate is **aligned with the manufacturing sector**. We support ENERGY STAR with the appliance-side of the program, and are pursuing joint advocacy to Congress and the federal agencies.

Ensure Fair and Reasonable BPS Laws: States and localities should ensure their building performance mandates reflect the 20 points raised in RER's peer-reviewed policy guide, which provides extensive guidance and detailed stakeholder input.

- Chief among these points: US-EPA and US-DOE guidelines should offer compliance pathways with state/local BPS laws. Uniform federal criteria can bring rationality and consistency to the chaotic "patchwork" of BPS regulatory mandates across the country.
- No city or state BPS law should fine or penalize a "high performance" building recognized by US-EPA or US-DOE partnerships.
- Policymakers must also consider how BPS regulations impact key points such as:
    - Affordability and supply of housing for low-income and working class families;
    - Availability of debt, equity, and incentives to pay for all of the retrofit projects induced by BPS laws;
    - Reliability of local grids to provide electricity, if power infrastructure is strained by all of the extra loads caused by building electrification;
    - Achievability of goals to reduce overall emissions, if the community's electric grid relies heavily on fossil fuels; and

- Accessibility of market-based programs (e.g., RECs) to purchase clean power to help achieve an "all of the above" energy strategy.

GHG Protcol's Proposed Changes to Scope 2 Guidelines are Impractical—and Should Not be Adopted:

- GHG Protocol recommendations to change its "Scope 2 Guidelines" to account for emissions from purchased electricity, steam, heat and cooling, would not be workable or practicable for U.S. real estate assets.
- RER and other real estate industry groups do not support GHG Protocol's proposal to require so-called "24/7 matching" for bulk clean energy purchases.
- It is not feasible to require companies that contract for clean energy to match power consumption with emissions-free generation every hour, of every day, co-located on-site and/or within the same local grid segment.
- GHG Protocol should continue to allow optional 24/7 matching—but not require it under their Guidelines.
- Mandating strict time and place restrictions for corporate procurements like Renewable Energy Certificates will make compliance burdens with the Scope 2 Guidelines too onerous—and disincentize private sector investments in clean energy.