Executive Order on Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources

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On July 7, 2025, President Trump signed an executive order (EO) directing federal agencies to implement and enforce the clean energy credit reforms enacted in the One Big Beautiful Bill Act (OBBBA), with an eye toward phasing out "green" subsidies deemed costly, unreliable, and reliant on foreign supply chains.

Purpose and Policy

The EO asserts that subsidies for wind, solar, and other "green" energies have distorted markets, undermined grid reliability and national security by increasing reliance on foreign-controlled supply chains, and imposed unsustainable costs on taxpayers, mandating that within 45 days, the Department of the Treasury and the Department of the Interior take necessary steps to implement the accelerated credit phase-outs and foreign-entity restrictions enacted in OBBBA.

Agency Mandates

The Treasury Department is required, by mid-August, to issue new or revised guidance strictly enforcing the termination of the Clean Electricity Production Credit (§ 45Y) and Investment Tax Credit (§ 48E), with a focus on closing perceived loopholes in "beginning of construction" definitions and safe harbor provisions that might otherwise be used to lock in benefits through minimal pre-development work. Treasury must also promptly implement the Foreign Entity of Concern (FEOC) restrictions in OBBBA, ensuring that projects with ownership, financing, or supply chain links to specified foreign adversaries are excluded from eligibility for clean energy credits. In parallel, the Department of the Interior must conduct a sweeping review of all internal policies, permitting frameworks, and regulatory practices that afford preferential treatment to wind and solar development. That review must identify

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and eliminate any such advantages, replacing them with a framework that supports dispatchable, domestic energy sources such as hydropower, advanced nuclear, and natural gas. Together, these mandates reflect the administration's stated objective to rebalance federal energy incentives in favor of reliability, security, and domestic control.

Implementation and Considerations

The EO reinforces the reforms enacted in the OBBBA, which sunsets §45Y and §48E credits for wind and solar projects placed in service after December 31, 2027 (subject to a one-year construction safe harbor), accelerates the phaseout of EV and residential credits, and tightens FEOC restrictions. By mandating rulemaking, the EO ensures that these statutory changes are not only interpreted narrowly but actively enforced. In response, clients should act swiftly to validate project timelines, finalize tax-equity structuring, and update permitting strategies to account for the likely policy shift favoring dispatchable, domestically sourced energy. Supply chain due diligence, particularly under the new material assistance and ownership tests, must be thorough and well documented. With Treasury and Interior rulemakings due in August, sponsors should prepare to engage in the regulatory process to protect project eligibility and long-term investment value.

For a deeper dive on how OBBBA reshapes clean energy credits, including phase-out schedules, bonus depreciation changes, and FEOC mechanics, read our full article.

More OBBBA Coverage

The One Big Beautiful Bill Act stands to fundamentally reshape the fiscal landscape across key sectors, introducing both immediate compliance challenges and long-term planning imperatives for businesses. This collection of articles sheds light on the OBBBA's key components to help you better understand and prepare for the changes ahead while taking advantage of the new tools (and tradeoffs) offered by the OBBBA.

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