Spring 2026

ENERGY INDUSTRY UPDATE

Q&A

1. What is the current outlook for natural gas in power generation?

Answer:
Natural gas remains central to near-term power planning, with U.S. demand growing by **1.5% in 2025**. Power generation accounted for **39% of that demand**. As of late 2025, there were more than **200 planned gas-fired plants** totaling 133 GW driven by growing power needs and the requirement for dispatchable capacity.

---

2. How is ISO New England reforming its capacity market?

Answer:
ISO-NE is transitioning away from a three-year forward capacity auction toward **seasonal and prompt month mechanisms**. These changes are intended to procure capacity that is actually operational when needed, reduce "phantom entry," and better align commitments with performance. However, the shift may introduce risks related to **financing and volatility**.

---

3. Why is the U.S. offshore wind pipeline contracting?

Answer:
Offshore wind is facing significant headwinds from **inflation, high interest rates, supply chain bottlenecks, and tariffs on key material**s. These factors contributed to a sharp decline in planned capacity, which fell from **55.9 GW in Q3 2024 to 25.4 GW in Q3 2025**. The industry's near-term focus has shifted to completing projects already under construction.

4. What are the projections for grid infrastructure and load growth?

Answer:
Peak demand is projected to grow by approximately **3.7% annually**, while energy use is expected to grow by **5.7% through 2030**. To meet these needs, more than **24,000 line-miles of transmission** are planned through 2036, with reliability serving as the primary driver for nearly 70% of these projects.

---

5. What specific challenges are PJM confronting?

Answer:
PJM is experiencing a "convergence" of pressures, including **tightening reserve margins and accelerating load growth**, now projected at 4.8% annually (up from 2.3% in previous forecasts). This has led to a dramatic surge in capacity prices, which rose from **$28.92/MW-day** in the 2024/2025 auction to **$333.44/MW-day** in the 2027/2028 auction.

---

6. Why are large load tariffs becoming more common?

Answer:
More than **75 approved or proposed large load tariffs** are currently being tracked across 36 states. These tariffs are used to manage the rapid growth of data centers by addressing **cost allocation**, mitigating **stranded asset risk**, and ensuring that the costs and risks of serving large loads are not unfairly shifted to other customers.