

# The Day

Imminent Horizons

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Captain Scott Yerman gives a tour of the fishing boat New Horizons as it is docked at the Fort Trumbull Marina in New London Monday, Aug. 5, 2024. The ship provides safety scouting for Ørsted's Northeast projects with Sea Services. The future of the state's offshore wind industry is unclear due to tariffs and executive orders enacted by President Donald J. Trump. (Sarah Gordon/The Day file photo)

## Trump's tariffs stymie renewable energy efforts in Connecticut

[By Theresa Sullivan Barger, Special to The Day](#)

The Trump administration's 25% tariffs on steel and aluminum and the 20% tariffs on imports from China are expected to raise the cost and slow the adoption of renewable energy in Connecticut.

That's the prediction of experts from Yale University and the University of Connecticut as well as operators of solar and wind enterprises. Because tariffs raise the price on imports, they have the potential to make Connecticut's steel and aluminum manufacturers' prices more competitive; they could also hurt small businesses. And uncertainty remains over whether tariffs will affect the price of energy imports from Canada.

"In our state, the main effect will be on solar panels as well as solar-plus-storage systems, most of which are still produced outside of the U.S.," said Kenneth Gillingham, environmental and energy economics professor at Yale.

Solar-plus-storage systems are solar-powered batteries for homes and businesses to provide backup power.

Connecticut has a fairly vibrant residential rooftop solar market, with a growing market in battery storage, Gillingham said. Higher prices will slow the uptake of the new technologies. There is only a small market for grid-scale solar arrays used by utility companies, but the tariffs will likely affect this market as well, Gillingham said.

When utility companies like Eversource buy solar energy, they choose the lowest price per kilowatt, said Kirt Mayland, energy legal fellow at Connecticut Institute for Resilience and Climate Adaptation and owner of Taconic Range Energy & Environment. Steel and aluminum are principal components on solar racking systems.

The tariffs will force companies that build ground-mounted solar projects to pay higher prices for materials, he said, and that might increase solar energy prices from say, 10 cents per kilowatt to 11 or 12 cents per kilowatt.

If electricity imported from Canada becomes more expensive and tariffs on Canadian exports are imposed as threatened, New England residents' energy costs could rise.

Higher-cost grid electricity will lead more people to look into, and adopt, solar," Gillingham said. "However, I think the net result will be a reduction in adoption of renewable energy."

For now, the impact of tariffs or duties on "energy imports or energy pricing in our region remains highly uncertain," said David Meisinger, chief executive officer of the Connecticut Municipal Electric Energy Cooperative, a public-power entity providing electric services to several municipal utilities, including Bozrah, Groton, Jewett City and Norwich, and wholesale customers.

“Our understanding is that under existing law, electricity imports have historically been widely excluded from tariffs,” he said. It’s unclear which proposed tariffs, if any, will be implemented, and whether or how they might be applied to the import or sale of electricity, he said. It’s too early to accurately predict whether there will be any impacts on energy markets, he said. “We are actively monitoring these developments.”

Before the pandemic, the cost of building a solar project was declining, Mayland said. Then when COVID hit, the construction costs rose. There’s not a lot of wiggle room in solar construction costs because solar panels are made with aluminum and steel, he said.

“Prices were down pre-COVID. The industry was able to survive the first round of tariffs” in the first Trump administration,” Mayland said. “Given the pressure on prices already, (this round of tariffs) could be problematic.” Profit margins on solar manufacturing were already small.

“If you’re a residential customer and you want to put a solar [energy] system on your house, it’s going to cost more. If [energy] rates just stay the same, it will give you less incentive to put one up,” Mayland said. If installing solar energy now costs \$45,000 instead of \$40,000 and the homeowner was already hesitant, that added cost might prevent the homeowner from making the investment.

Heat pump costs may go up a little, as could the cost of energy-efficient windows, Gillingham said. “These cost increases would very likely reduce the amount sold of each.”

Aalim Mohamed, owner of AM Solutions of East Lyme, a heating, ventilation and air conditioning company, said he would have to pass his added costs directly on to his customers.

## **Wind energy**

President Donald J. Trump signed an executive order in January halting new and renewed leases for off-shore wind energy. Trump’s action to withhold permits will dramatically slow, if not entirely stop Connecticut’s offshore wind industry, Gillingham said.

Sea Services North America, a New London-based business that helps commercial fishermen get trained to assist offshore wind companies during wind-farm construction, said the tariffs won’t impact projects under construction since they’ve already purchased the steel they need, but the executive order is different.

“There are many companies that have fully committed to supporting the offshore wind industry, and with the executive order, there’s uncertainty beyond the current projects that are permitted and financed,” said Gordon Videll, chief executive officer of Sea Services North America. “We’ve paid commercial fishermen \$21 million to date working on New England wind projects. That’s real money going to local businesses, helping them stay alive in a very challenging fishing environment.”

Out of the 150 people and 20 boats the company works with, he said, two are permanently homeported in New London and three more contribute to the local economy.

“No matter what you think about wind, it is part of the basket of energy solutions,” Videll said, “There’s already billions of dollars of capital committed, and to abandon it would be unhelpful to the economy.”

On the other hand, the tariffs could have a positive impact on Connecticut-based steel fabricators that could provide parts for the operations and maintenance of Sunrise Wind and Revolution Wind, which have the financing, approvals and leases needed to move forward with their offshore wind farms, said Paul Lavoie, chief manufacturing officer with the state Department of Economic & Community Development.

With the tariffs, the maintenance parts manufactured in Connecticut could be cheaper than imported parts, potentially leading to more work. Local steel fabricators include Mystic Stainless & Aluminum Inc. and J. Steel Services, both in Mystic, and the Hillery Co. in Groton.

While Connecticut companies have the ability to make parts, they may not yet have the capacity and capability to meet a significant increase in demand, Lavoie said. “It takes a while to build that capacity, and it requires money.”

Tariffs could hurt small businesses that operate on tight margins and have contracts with customers that require them to eat the added cost of materials, he said. How big a hit the company takes depends on whether the materials make up a small or large percentage of the overall cost of a project, he said.

“Tariffs are a tax paid to the federal government,” Lavoie said. “Tariffs work on large companies because they have a lot of money to invest. They kill small companies because they can’t invest in new equipment” or hire more people.

Tariffs will increase the cost of renewable-energy products that use steel and aluminum, which would weaken demand, Gillingham said.

While he said he didn’t know about steel and aluminum tariffs in particular, Gillingham said that in general, all or nearly all of the added costs of tariffs are passed on dollar-for-dollar to consumers.

“In economics, this is described as ‘100% pass through,’ and this is generally what economists have found when studying previous tariffs.”

## **Jobs**

Tariffs nearly always reduce U.S. jobs, Gillingham said.

“They may help some narrow sectors that directly benefit from the tariffs, but the broader economy is negatively impacted, and thus overall employment is negatively impacted.”

Between rising costs and a potential softening of demand, given the tight margins the solar industry works in, Mayland said, “I could see some companies having to downsize. The industry has been pretty resilient to tariffs before. Now there’s not a lot of room to wiggle.”