Slower adoption, higher prices, and an altered domestic supply chain: How policy changes could affect the US battery market

An executive summary from Battery Next
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Key takeaways

- We revised our EV demand forecast between 2025–2032 to reflect the rise in EV prices as tariffs roll out and incentives roll back.
- Proposed tariffs, like the 921% antidumping tariff on graphite materials, threaten to erase the last two years of battery price declines and unbalance ESS economics.
- Policy uncertainty will slow investments across the battery supply chain along with the adoption of stationary energy storage and EVs.

How will policy changes affect EV adoption?

Under the IRA, consumers who bought an EV could receive a tax credit up to $7,500. This credit makes EVs more affordable for US consumers, and its repeal could slow EV adoption.

Removing incentives and emissions regulations would slow adoption

Effects for consumers. The current administration may repeal EV tax credits and other federal support for the EV industry. Commercial EV credits may be more stable than those for consumers because they:

- Are less politically contentious
- Have support from business and fleet operators
- Have higher levels of bipartisan support

Effects on EV demand. Over the last five years, there has been an increase in EV sales due to:

- A steep decline in EV battery prices
- Improvements in the availability of EV models
- More abundant EVCI
- A rise in consumer interest

While we expect these factors will continue to sustain growth in the EV market, we've revised our annual sales forecasts in the EV Forecast Database to reflect the dip in EV demand we predict because of incoming policy changes.

US EV forecast based on Q1 2025 sales

Compared to our prior forecast, we expect recent policy changes will decrease EV demand from 2025 through 2028.

The suspension of EVCI deployment

Experts believed that policy changes wouldn't affect IRA and IIJA funding for EVCI because of strong bipartisan support. But in February 2025, the directive Suspending Approval of State Vehicle Infrastructure Deployment Plans (PDF) rescinded all National Electric Vehicle Infrastructure Formula Program Guidance and suspended all EVCI deployment.

We expect EV demand to continue growing in the long term, but utilities must adjust their plans for building new EVCI.

How could policy changes affect ESS?

Three factors are likely to affect the ESS market and utility-scale deployment under the current administration:

- Tariffs
- Increased scrutiny of Chinese imports
- Reduced accessibility to tax credits

Proposed tariffs on battery materials, including a 920% tariff on graphite, would cause a spike in US battery cell pricing. Tariffs on materials like aluminum and steel could have the most severe effects on rack and container costs. Rising tariffs, along with further government opposition to Chinese imports over national security concerns and the country's trade practices, may raise the price of battery materials necessary for ESS manufacturing.

Reduced access to investment tax credits from Section 48 of the IRA could also slow utility-scale ESS . We've adjusted our models to reflect a reduction in ESS rollout in the short term. Utilities can compensate for reduced federal incentives with stronger up-front incentives to speed up system adoption and program enrollment.

How could policy changes impact the US battery supply chain?

We're monitoring rapidly changing policies to maintain the E Source Battery Factory Forecast Database (available to members of E Source's Battery Next service). Despite policy changes, we expect US battery manufacturing capacity to increase over the next 10 years. We expect the IRA policies concerning the US battery supply chain will be less affected than other policies since they support:

- Manufacturing
- Private-sector investment
- Job creation

Building a strong domestic battery supply chain also addresses bipartisan concerns about reshoring manufacturing and reducing US reliance on Chinese imports.

Factory buildout across the battery supply chain partly depends on OEM and investor confidence in long-term demand and access to federal funding. Potential changes to US international trade policies, especially with China and Europe, could disrupt plans for factory construction in the US.

Current US policies affect every part of the domestic battery market—from consumers shopping for an EV to OEMs' and investors' plans to build factories. Utilities are in a unique position: understanding policy changes that affect EV and ESS markets is critical to their short-term offerings for customers, deployment abilities, and long-term strategic plans.

While many factors can impact the future of the EV and ESS markets, EV charging infrastructure (EVCI) rollout, and the domestic battery supply chain, changes to the US Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA) are on customers' and stakeholders' minds. E Source researchers have closely watched changes to this key legislation. We've gathered insights about these changes to help you understand our long-term forecasts for the battery market and make better decisions in a rapidly evolving policy landscape.

Learn more in our full report

If you're curious about what effects other potential policy changes will have across the US energy framework, see our report How could US policy changes affect domestic battery, EV, and energy stationary storage markets? This report gives an in-depth look at potential changes to:

- Trade relationships
- Federal funding
- Battery factory buildout
- 10-year EV market forecasts
- 10-year ESS pricing outlook

To read this report and our other offerings on the battery industry, subscribe to our Battery Next service.

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