Power Check: Watt's Going on with the Grid: Bank of America Institute Report



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The Bank of America Institute ("Institute") issued a July 22nd report titled:

Power check: Watt's going on with the grid? ("Report").

The Report addresses a number of issues concerning the United States power grid.

A particular focus is projected U.S. electrical demand and corresponding pressures on the grid. For example, the Report projects that energy demand:

- Has and will continue to surge for an extended period.
- Will require significant additions to power generation capacity/higher capex in order to grow the grid.

Projected growth for U.S. electrical demand is placed at 2.5% compound annual growth rate (CAGR) through 2035.

Growth is stated to be driven by:

…Our seemingly limitless array of gadgets and technology that require ever more watts in our homes and offices.

In addition, the Report states that the U.S. is substituting electricity for hydrocarbons for building heating and vehicles. Also referenced is the significant development of data centers.

Key takeaways from the Report include:

- The US grid is facing an extended period of load growth. And while the drivers of this growth have changed over time, demand is largely due to 1) building electrification; 2) data centers; 3) industrial demand; and 4) electric vehicle (EV) adoption.
- If load growth forecasts continue to rise, utilities will need to invest to meet required reserve margins and increase spending on both power generation and transmission & distribution capacity.
- The good news? Deregulation and accelerated permitting may further help get more projects off the starting line, according to BofA Global Research.

Changes in 2025 are stated to include:

- National energy emergency (referencing Trump Administration Executive Orders).
- Downshift in some renewable power plans (noting some higher cost renewable offerings have come under more scrutiny).
- Traditional power generation gearing up (power sources that can be adjusted as needed [particularly natural gas power] are enjoying increased demand).

- Biden era funding is still flowing (Grid Deployment Office, created under the Biden administration, is being maintained by the Trump administration).
- Skepticism about artificial intelligence buildout grows (stating that Bank of America Global Research's bottom-up demand model for US electrical power shows that data centers (both AI and non-AI) comprise only one-fifth of the total load growth over 2024-35E, and even if data center growth slows, US electricity load growth is still accelerating).

An analysis of where the load growth is originating is undertaken along with what is described as a geographical mismatch (production vs. consumption).

A copy of the Report can be downloaded here.