

Insights: Alerts

Governor Stein Vetoed North Carolina Senate Bill 266 Relating to Energy Policy. What Comes Next?

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On July 2, 2025, North Carolina Governor Josh Stein vetoed Senate Bill 266, (“SB 266”) a Bill passed by the North Carolina General Assembly on June 23, 2025. Among other things, SB 266 sought to eliminate the interim decarbonization goal for North Carolina's largest electric utilities while also providing these utilities avenues to cost-recover for carbon-emitting new generation resources. The Governor cited a potential increase of \$23 billion in costs to ratepayers and a walk back of the State's commitment to reduce carbon emissions as the reasons for the veto.

Background:

In October 2021, North Carolina passed North Carolina House Bill 951: Energy Solutions for North Carolina (“HB951”) becoming the first “purple” state with an emissions reduction mandate. HB951 was signed into law by then-Governor Roy Cooper with bipartisan support and included provisions regarding carbon reduction and a clean energy transition. Specifically, HB951 required Duke Energy Carolinas and Duke Energy Progress (collectively, the “Duke Utilities”), the two largest regulated utilities in North Carolina, to reduce their carbon emissions from power generation by 70% of 2005 levels by 2030 and to carbon neutrality by 2050

Less than four years later, the legislature passed SB 266, a bill removing the 2030 carbon emissions reduction requirement (while leaving the 2050 target) and providing the Duke Utilities the ability to receive early cost recovery for new carbon-emitting resources. Governor Stein vetoed SB 266 and sent it back to the legislature.

What has happened since HB 951?

Since the passage of HB 951, there has been a significant increase in electricity demand. In the most recent biennial North Carolina Utilities Commission (the “Commission”) Carbon Plan/Integrated Resource Proceeding (“CPIRP Proceeding”), the Duke Utilities forecasted a significant increase in electricity demand and, as a result, the need for new electric power generation.¹ This increase in demand, along with the retirement of legacy coal-fired generation facilities in North Carolina, compounded the difficulty to meet the Duke Utilities' electricity needs and made near impossible the task of decarbonizing 70% of 2005 carbon emissions levels by 2030. The Commission ultimately issued an order bypassing the 2030 decarbonization deadline stating that the Duke Utilities, in its next CPIRP Proceeding, is directed “to pursue “all reasonable steps” to achieve the Interim Target by the earliest possible date[.]”² The Commission cited its statutory authority to “retain discretion to determine optimal timing” while stating a concern that 2030 compliance would “present an unacceptable risk to reliability

and is otherwise not achievable.”³ Specifically, the Commission noted that in order to meet the 2030 interim decarbonization deadline, that the Duke Utilities would be required to build an unattainable amount of new generation that would exceed the possibility of interconnection in that time frame.⁴

Additionally, the new demand coming to the Duke Utilities' system caused the Duke Utilities to request approval to plan to build new carbon emitting generation facilities, such as combined cycle natural gas plants, in addition to new non-emitting facilities that were planned to be built by the Duke Utilities as well as independent power producers. The North Carolina Utility Commission issued an order approving the Duke Utilities' plan to build 900 MW of Combustion Turbine Natural Gas facilities and 2720 MW of Combined-Cycle Natural Gas facilities.⁵

What is SB266 and what are the arguments for and against it?

SB 266 notably includes the following effects: (1) eliminate the 2030 interim carbon emissions reduction goal; (2) introduce a new form of cost recovery for the Duke Utilities where the utilities can seek to recover financing costs for baseload generation facilities – such as new nuclear facilities or natural gas firing combustion turbine facilities (through 2033) but not renewables – prior to completion of construction; and (3) change the fuel rider law regarding a cost shift for fuel costs for thermal generation facilities (such as natural gas plants) that places more responsibility for those costs on residential ratepayers, allowances for natural gas plants to be considered in a multiyear rate plan and cost-recovered by the utility more quickly than recovery through traditional ratemaking.

However, there have been disputes about whether the bill will save North Carolina residents money. SB 266 sponsors have suggested that the early recovery of baseload generation facility financing costs will ultimately lower costs for North Carolina residents and businesses in the amount of \$13 billion by 2050, but researchers from North Carolina State University project that the increased need for natural gas will increase costs by as much as \$23 billion by 2050 while also failing to decarbonize the Duke Utilities' system. Additionally, some SB 266 opponents have pointed to the retreat from decarbonization goals that will not only impact North Carolina's environment but also North Carolina's ability to attract new businesses who want aggressive decarbonization goals and increase the uncertainty of fuel costs in the future.

Why did Governor Stein veto SB 266?

In his Veto Message, Governor Stein cited the North Carolina State University study and stated that to keep costs low, North Carolina should not become “overly reliant on natural gas and its volatile fuel markets” as proscribed in SB 266 and that SB 266 “walks back our state's commitment to reduce carbon emissions, sending the wrong signal to businesses that want to be a part of our clean energy economy.”

What happens next?

Both House Speaker Destin Hall and Senate Pro Tempore Phil Berger have expressed publicly that they anticipate the two chambers will each vote to override Governor Stein's veto. That veto override vote will not take place immediately, but monthly legislative check-in dates have been scheduled, including from July 29-31, and it is likely the veto override vote will occur during one of those dates.

Footnotes

¹ *See, Verified Amended Petition for Approval of 2023-2024 Carbon Plan and Integrated Resource Plans of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC*, NCUC Docket No. E-100, Sub 190 (January 31, 2024).

² *Order Accepting Stipulation, Granting Partial Waiver of Commission Rule R8-60(a)(d)(4), and Providing Further Direction for Future Planning* (“CPIRP Order”), NCUC Docket No. E-100, Sub 190 (November 1, 2024), p. 181.

³ CPIRP Order, pp. 82 – 86.

⁴ *Id.*, at 84-86.

⁵*Id.*, at 178.

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