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S&P: Tariff Uncertainty Could Weigh On U.S. Public Power Utilities

(**Editor's Note:** S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses–specifically with regard to tariffs–and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: spglobal.com/ratings).)

Key Takeaways

- The U.S. power industry faces an acute supply backlog of critical grid components, such as foreign-manufactured transformers, and tariffs could increase the already elevated prices of the equipment and materials.
- S&P Global Ratings believes that whether credit quality will be negatively affected by tariffs will depend on their magnitude and duration and utilities' capacity to recover related costs from their customers.
- Our negative sector outlook does not mean that we contemplate lowering our ratings on a large swath of the public power utilities; rather, in the prevailing inflationary environment, public power utilities are more susceptible to weakening financial metrics and possible downgrades than they were historically.

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22 May, 2025

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