

BRAVE NEW WORLD

What's Next for **US Energy Storage** After OBBBA and Amid Continued Tariff Risk?

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Summary

This year has been tumultuous for the energy storage sector, with the industry plagued by significant uncertainty surrounding tariffs and new legislation, in particular. U.S. imports from China — the source of most of the world’s battery storage components — were, at one point this year, subject to steep tariffs, which meant plans for many proposed U.S. energy storage projects were suddenly thrown into disarray. The imminent introduction of the One Big Beautiful Bill Act (OBBBA) — which many feared would mark the beginning of the end of subsidies for renewable energy projects — loomed over the storage sector like a dark cloud. To the relief of the industry, energy storage has emerged from the new legislation as the “winner,” remaining relatively unscathed despite reductions in tax credits for solar and wind projects.

However, many view the storage sector’s triumph as a qualified victory. Like the fluctuating China tariffs seen this year, the OBBBA has similarly cast considerable doubt on the future of the energy storage industry’s supply chain. In particular, foreign entity of concern (FEOC) rules introduced by the Act are viewed by some in the industry as “severely handicapping” the energy storage industry’s progress in that, as they effectively forbid dealing with Chinese-owned companies, the sector cannot reorient its intricate and complex supply chains as quickly as necessary.

Despite these challenges, in many instances, companies in the energy storage sector have shown commendable foresight and taken steps to mitigate the effects of the doubt that has been cast over the industry in the U.S. this year. We spoke with leading players in the U.S. energy storage sector — including developers,

investors, and lenders — to assess the outlook for the industry given the current climate.

This report will:

- Evaluate how the value of energy storage was perceived within the context of the OBBBA.
- Assess the impact of the OBBBA on the U.S. energy storage sector, with a particular focus on the FEOC rules.
- Explore the potential impact of the withdrawal of tax credits for solar and wind on energy storage deployment.
- Examine the impact of China’s tariff hikes and steps the U.S. storage industry is taking to mitigate the effects.
- Highlight the most significant emerging opportunities for the U.S. energy storage sector.

OBBBA Impact on Storage Is **Less Severe Than Feared**

For much of this year, the imminent passage of the OBBBA filled much of the energy storage sector with a feeling of trepidation. However, to the relief of many industry executives, energy storage was less impacted by the passing of the Act than renewable generation projects. Wind and solar projects under Code Sections 45Y and 48E were particularly impacted — such projects must be placed in service by December 31, 2027, to remain eligible for the production or investment tax credits or “begin construction” on or before July 4, 2026. In contrast, energy storage tax credits are not phased out until after 2033.

Why was energy storage largely spared? It was batteries’ role in providing baseload power that meant it emerged from the passing of the OBBBA in better shape than the wind and solar industries, according to a vice president at one of the world’s leading investment banks. He added that battery storage has proven to be critical, and states have sought to widen its deployment via a range of avenues, for example, by state mandate, as is the case in California, or through the use of pure market forces, as in Texas. “Those who are driving renewable build out, including all of the AI data center growth, have come to appreciate the role of baseload power and firm supply — this was a factor in OBBBA in that, while you saw a phase out for wind and solar tax credits, that is not the case for baseload power, including geothermal, nuclear, and battery storage,” the vice president at the investment bank said.

Despite energy storage's reprieve, the industry was impacted by the uncertainty that prevailed prior to the passage of the OBBBA. The lack of clarity about the new U.S. administration's approach to renewables — prior to the passage of the Act — resulted in a lag in capital deployment in the energy storage industry. When Donald Trump won the presidential election last November, investor confidence took a hit and, in the words of Andrew Waranch, CEO of Spearmint Energy — which has more than

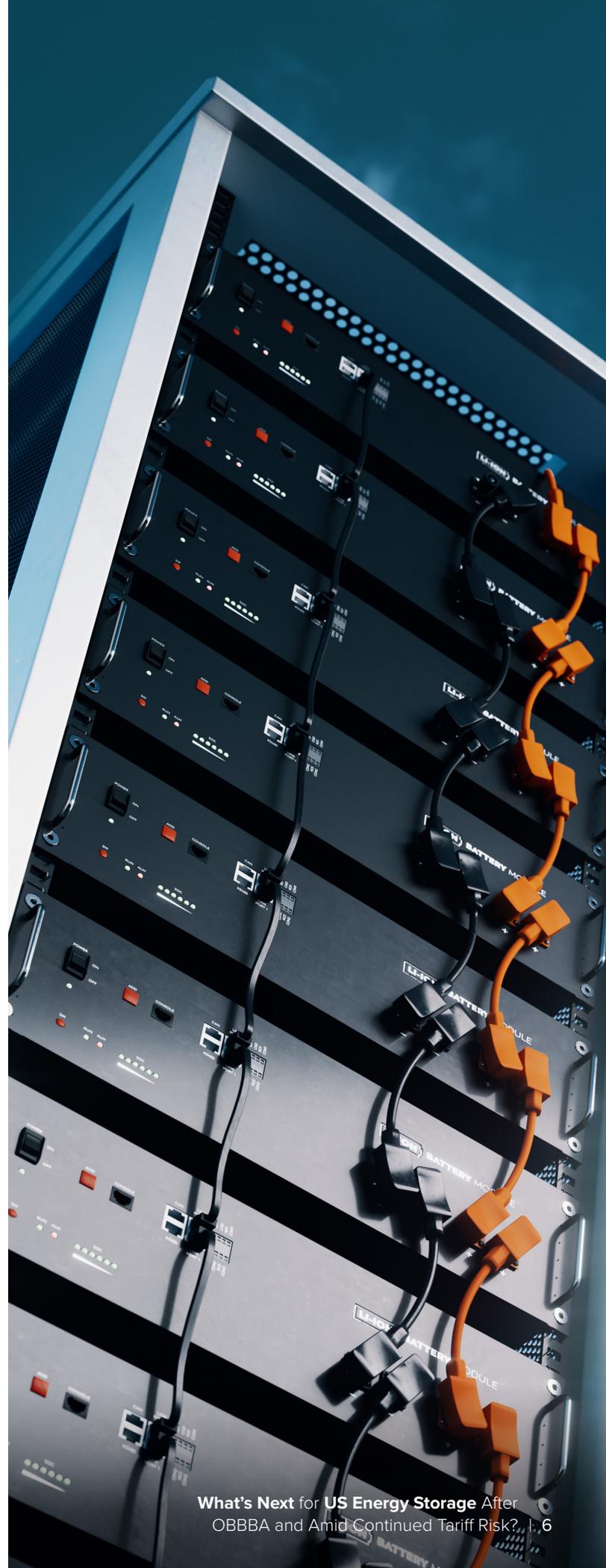
20 projects, totaling more than 13GWh of capacity, under development in 10 states — it was not until the OBBBA came into force on July 4 that investors felt that they could re-enter the storage market in any meaningful way. Prior to that date, “investors sat on their wallets,” Waranch said. “They waited for clarity, and the OBBBA gave people some clarity.” He added that, consequently, since the Act's passage, there has been a “massive uptick” in investor interest in storage.

“They waited for clarity, and the OBBBA gave people some clarity.”

- Andrew Waranch, CEO of Spearmint Energy



Storage Seen
as OBBBA
“Winner,” but
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Many investors and lenders, in the context of the introduction of the OBBBA, view energy storage as the winner. Waranch said that storage remained relatively unscathed by the passage of the Act because it is “incredibly valuable as a service to balance short-term needs, add grid resiliency, and reduce wasted expensive generation.” He added: “So much of the power market and power price is set by expensive and old generators that only need to operate for the narrowest of windows during ramp times in the morning and evening, and so, in contrast, batteries can solve that quickly and cheaply with extremely high reliability.” Indeed, Waranch added that batteries have proved to be considerably more reliable: “Batteries that have been operating in Texas are operating somewhere in the vicinity of 99% uptime,” he said.

It is worth noting that FEOC rules were originally introduced under the Biden administration and applied to electric vehicles and advanced manufacturing credits. “There were shades of the FEOC rules before [the OBBBA], so it is not a completely new thing, and I think right now the focus is, if you start construction this year, then you’re not subject to FEOC rules,” said the investment bank vice president. Ultimately, how will the battery storage industry — which is heavily dependent on imports from China — adapt to the FEOC rules? “I think in the long run, the idea of the rules is that you have a shift of manufacturing to the U.S., which is something that happens over time, so it seems a pretty bipartisan objective,” the investment bank vice president said. “I think from our perspective, since so much of the focus has been on starting construction and getting ahead of this, it has not been that much of a focus.”

The impact of the FEOC rules are “really handicapping the industry pretty significantly. There’s just not enough time to move the supply chain that quickly, especially around the battery cells, so that’s really our big concern.”

- Tom Cornell, CEO of Prevalon

However, the battery storage industry faces significant constraints from the OBBBA, most notably, the FEOC rules. These restrictions — which vary depending on the tax credit and tax year in question — prevent entities linked to adversarial nations, particularly China, from accessing, directly or indirectly, the benefits of U.S. energy tax incentives. “They [the FEOC rules] take effect in 2026, so I think it remains to be seen how that plays out,” commented the investment bank vice president.

However, Tom Cornell, CEO of battery storage system supplier Prevalon, a Mitsubishi Power Americas and EES joint venture, was unambiguous in his assessment of the impact of the FEOC rules, concluding that they are “really handicapping the industry pretty significantly.” He continued: “There’s just not enough time to move the supply chain that quickly, especially around the battery cells, so that’s really our big concern.” Prevalon is also considering acquiring a majority share in some companies to comply with FEOC rules.

How Forward-Thinking Storage Companies Prepared for FEOC Rules

Waranch agreed that the FEOC rules are unquestionably a big issue for the storage sector; however, it is a challenge that forward-thinking companies in the industry began addressing prior to Trump's re-election. He explained: "Our team took aggressive action in May 2024, six months before the election. We said there was a real chance that if Trump wins, there's a very high likelihood that we will need to procure all types of products outside of China, so we started evaluating suppliers all over the world." Waranch traveled extensively in Europe, as well as to Asian countries, such as Japan and Korea, as part of a quest to unearth potential suppliers. Many manufacturers in the storage sector made similar contingency plans, in part because they had already witnessed the impact significant tariff hikes had on the solar industry in recent years, and this was instructive when anticipating how tariffs could disrupt storage supply chains. Consequently, many battery storage vendors are utilizing combinations of U.S., European, and Southeast Asian manufacturing, according to Waranch. There will be other knock-on effects of the FEOC rules, and it is anticipated that Chinese suppliers with factories in the U.S. will be forced to sell their majority stakes in those operations.

Yet efforts on the part of U.S. storage developers to reorient battery supply chains are not likely to be sufficient to address the near-term challenges the grid will face. With load growth soaring, significant amounts of energy storage will need to be deployed to keep the U.S. grid functioning effectively — the problem is that the U.S. manufacturing industry will not get close to reaching the levels of supply needed to produce all the batteries the country needs in the coming years. A Department of Energy report warned earlier this year that substantial load growth, coupled with the retirement of firm power capacity, would increase the risk of power outages 100 times by 2030. The report concluded: "The retirement of firm power capacity is exacerbating the resource adequacy problem. 104GW of firm capacity is set for retirement by 2030. This capacity is not being replaced on a one-to-one basis, and losing this generation could lead to significant outages when weather conditions do not accommodate wind and solar generation."

Could Phasing Out Solar and Wind Credits Present Opportunities for Storage Players?

The outlook is not positive for all renewable energy market players — especially considering solar and wind tax credits will be phased out — but this is a scenario upon which some storage sector companies could capitalize. Sector consolidation to a greater or lesser extent seems certain, with some companies in the renewables industry now in a distressed state.

Senior storage industry executives report that some lenders and asset owners are now seeking to exit the market. “I get calls from lenders, and others, who have solar and wind assets or teams of people that are now less advantaged and need some help — whether it’s uncertainty, the tax credits, or the weakening U.S. dollar — and are looking to exit the space,” Waranch said. “So as a storage player, we have a lot more stability, and I think we will benefit from being able to pick up really strong developers on the solar side as well as some queue positions and projects that we otherwise wouldn’t have accessed.”

Wall Street insiders speculate that several European lenders — particularly those involved in the wind and solar sectors — will exit the U.S. market because, with tax credits being phased out, the future of the market looks unclear. Meanwhile, some lenders that have had exposure in the wind and solar markets are switching focus to the storage sector.

The final version of the OBBBA provided a “relatively long runway for beginning construction on renewable generation to preserve the credits, and subsequent guidance on the rules left the existing framework largely intact.”

- **Vaughn Morrison**, Partner at Troutman Pepper Locke

Energy storage systems have commonly been co-located with solar projects in the U.S. Data published last year by the Lawrence Berkeley National Laboratory showed that half of the battery storage capacity in U.S. interconnection queues is paired with some form of generation, mostly solar. This means that the scaling back of solar credits could potentially slow down the deployment of energy storage. “It’s an interesting question, but it’s not entirely

obvious that just because there’s a phase out of tax credits that there will necessarily be a slowdown in wind and solar, at least in the near term,” said the investment bank vice president. “Currently, if you start construction over the next year — until July 2026 — then you’re not subject to an in-service deadline.” He added, “In four years, a lot can change.” Cornell said there is a lot of safe harboring taking place — particularly in relation to solar panels — and that this, coupled with an increase of solar manufacturing in the U.S., will mean that hybrid and co-located solar and storage projects will continue to get off the ground in the U.S. Will such projects still pencil out? Cornell believes so, especially considering the cost of alternatives — such as natural gas projects — is on the increase. Troutman Pepper Locke Partner Vaughn Morrison said that the final version of the OBBBA provided a “relatively long runway for beginning construction on renewable generation to preserve the credits, and subsequent guidance on the rules left the existing framework largely intact.” He added: “As a result, a significant pipeline of renewable generation will continue to qualify for the credits in the near and medium terms, cushioning the blow to build-out of the intermittent generation storage often benefits from.”

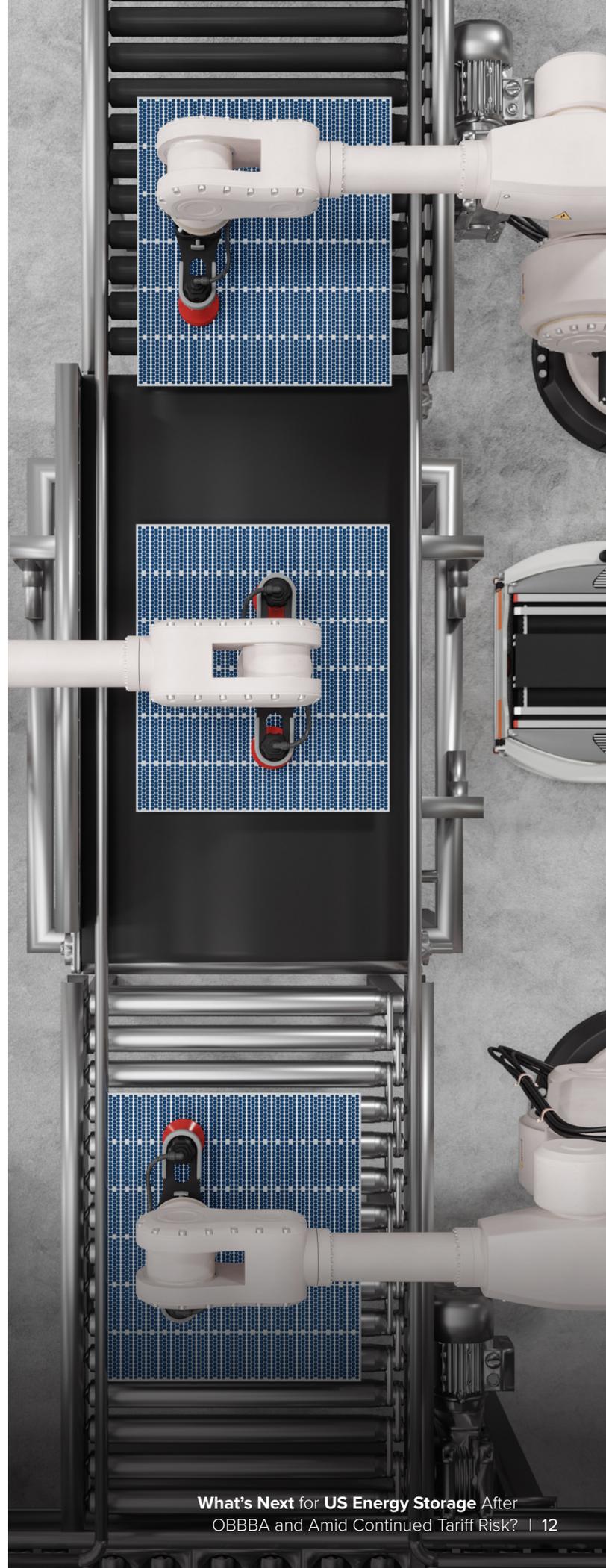


Impact of China's Tariffs and Strategies for Mitigating the Effect

The investment bank vice president said that the industry has been seeking more certainty regarding the impact of China's tariff hikes on the energy storage sector, given that rates have been fluctuating. The highly unpredictable nature of tariffs on China was highlighted earlier this year when it was announced that the U.S. would increase rates to 145% before subsequently slashing them to 30%. "People have been looking for clarity, but I think the objective is to move supply chains back here via onshoring; it's a pretty bipartisan goal," said the investment bank source. However, he added that forecasting scenarios can be challenging, given that studies have shown that the supply chain capacity required for battery storage far exceeds the amount that can be realistically onshored in the U.S. That said, the investment bank source believes that even if onshoring the battery storage supply chain to the U.S. does prove challenging, the fact that tax credits for storage will continue is "pretty helpful in offsetting some of the price increases that would be driven by the tariffs." In addition, the investment bank source said the data center industry is willing to pay premium prices and — given that the argument for battery storage is not just decarbonization-focused but also based on grid reliability concerns — "it's not unreasonable to expect that there would be some appetite to continue to support it [battery storage] even if there are price increases."

Sondra Martinez, head of originations, Americas, project finance at NORD/LB, noted that the energy storage industry had "advanced insight" of the U.S. government's intention to increase tariffs on imports of non-EV lithium-ion batteries from China, starting with the Biden administration. Back in May 2024, former U.S. President Joe Biden announced that, from 2026, tariffs on Chinese non-EV lithium-ion batteries would increase to 25%. "If you think back under Biden's leadership, there were some really bad days for solar in terms of some of the policies put in place, and the Biden administration also noted that they were going to go after Chinese battery components and that there were going to be tariffs," Martinez said. "The industry has been aware that this is coming and has been making moves to adjust for this, so from a mid- to long-term perspective, the supply chain should be able to manage the tariff impact."

Steps Taken
to **Restructure**
Supply Chains,
but Challenges
Abound



While Martinez acknowledged that there are justifiable concerns related to battery storage supply chains, she highlighted that some battery suppliers have already spent considerable time developing new supplier relationships to allow them to circumvent the problems posed by increases in Chinese import tariffs. For example, earlier this year, Tesla unveiled a lithium-iron phosphate battery cell manufacturing facility in Nevada. Meanwhile, in November last year, Canadian Solar revealed plans to build a BESS and cell manufacturing facility in Kentucky. However, rebuilding supply chains, and more specifically sourcing domestic content, is expected to pose considerable challenges for storage developers, according to Jacob Sandry, CEO of Euclid Power. “The difference between getting ITC and not is going to be pretty dramatic, and so I think in the short term, it’s going to be a lot about who can find that supply,” he says. “But I think we’ve seen supply chains be more nimble than we expected over the past few years. You’ve seen manufacturing move out of China to other Asian countries very quickly, and we are starting to have domestic supply abilities like we’ve never had.”

possibly thanks in part to the nimbleness of modern manufacturing practices in the era of dodging country-based tariffs,” he added. “Hopefully that can be reproduced for FEOC purposes, perhaps with even greater confidence given that both political parties are sending a unified market signal on onshoring.”

However, given that major tariffs are being imposed on the import of goods from China, not enough is being done by the U.S. administration to support domestic manufacturing, according to Sandry. “It feels like we’re going to fight this trade war with one fist tied behind our backs.” He added that, in many ways, tariff uncertainty is worse than the actual tariffs themselves. “Uncertainty is what kills you because these are multiyear development projects. Often, you’re setting offtake based on cost assumptions, that is, I’m going to get paid this amount of money per year for X number of years based on my assumption of the cost, and then the next month, my costs went up 30%, then it went down 20%; it’s really hard to plan.”

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- **Jacob Sandry**, CEO of Euclid Power

Sandry highlighted the example of the solar industry. Earlier this year, the U.S. reached what the Solar Energy Industries Association (SEIA) described as a “historic manufacturing milestone” when it surpassed 50 GW of domestic solar module production capacity. “At full capacity, these factories can produce enough to meet all demand for solar in the U.S.,” the SEIA said. Morrison highlighted that, in 2022, the Inflation Reduction Act introduced a bonus credit for projects incorporating a certain amount of “domestic content,” as well as direct incentives for domestic manufacturing under the Section 45X Advanced Manufacturing Production Credit. “In the short period since its passage, we saw a remarkable degree of onshoring,

Navigating supply chain challenges will be a key focus for the U.S. storage sector from now on, according to Sandry. He said storage companies will “need to figure out how to navigate the supply chains and stay in compliance with the FEOC rules and make sure their projects can be appropriately safe-harbored.” Sandry added that these are issues that did not have to be considered previously, but now a major focus for storage companies will be “managing the different costs of their capex stack, where the costs come from, and being sure they’re getting accurate information from suppliers, who tend to be cagey.” The net result from storage developers’ perspective is that this will “add cost and slow things down.”

Many Were Taken by Surprise by China's Tariff Hikes

With regard to the extremely high level of uncertainty surrounding tariffs this year, it was a scenario that came as a shock to many in the storage sector. “We did not anticipate any of that occurring immediately,” said Cornell. “Some projects were already in manufacturing or in transit, and customers were left scrambling. We had to get creative to protect them.” In terms of addressing issues creatively, Prevalon was in a situation where it had products that were being transported to both U.S. and non-U.S. countries and so the company opted to split some orders and move products to non-U.S. countries until it had more certainty on China tariff rates. Prevalon is actively diversifying its supply chain, looking at regions including North America, Southeast Asia, the Middle East, and North Africa. Prevalon is part-owned by Mitsubishi, which allowed the company to draw on the expertise of the Japanese company’s government affairs team when attempting to forecast what form upcoming policy changes would take. However, provisions set out in the OBBBA still came as a shock. “A lot of the guidance suggested targeted adjustments to the IRA — not the sweeping changes that ultimately materialized,” said Cornell. “So we did not anticipate it was going to take the form that it has.”

Despite tariff increases, there has also been a strong will on the part of some utilities, in particular, to proceed with projects, especially in areas where there is an acute need for battery deployment. “We saw projects that were ready to go when the 145% tariffs went into place, and utilities moved very quickly to say ‘no, please don’t stop construction,’” Martinez said. “There were adjustments made to account for these tariffs — there was an agreement that was struck between the parties, the battery suppliers, the sponsor, and the utility to enable risk-sharing.” She added that there is a strong desire to keep projects on schedule and moving forward, though acknowledged that there may have been some smaller sponsors that were less well capitalized that may have suffered setbacks. However, with regard to NORD/LB’s book of business, Martinez said there were a “lot of protections put in place pretty quickly to manage through tariff risk.” She added that a significant number of projects were safe-harbored under the previous tax credit regime prior to the introduction of the OBBBA, and a significant amount of equipment was accelerated to ensure late-stage development projects continued.

Why Storage Developers Are **Revising** Strategies

Some storage developers are revising their strategies in light of the turbulence experienced in the U.S. economy in 2025. Companies that are not pure storage developers, and instead have portfolios that also comprise renewables assets, are finding the current climate especially challenging. For example, BP has confirmed a deal to sell its U.S. onshore wind business, BP Wind Energy North America Inc., which, in addition to wind projects, had also developed storage assets, to LS Power. That said, some more resolute European renewables and storage developers appear undeterred. EDP Renewables confirmed it will stick to its plan of installing up to 1.75GW of new capacity in the U.S. by the end of 2026, even though wind and tax credits are being phased out. However, Martinez is confident there will be consolidation in the market, with some storage developers pulling out as well as new players entering: “There’s certainly a lot of movement. I do think that there’s a real challenge right now, particularly on the smaller developer side and with some platforms. If you’re not just a storage platform and you’re a broader renewable platform and you needed an exit, you raised money at the peak, or you’re an older company where the fund has been trying to exit for some time, it’s really tricky right now.”

Despite the fact that tax credits for wind and solar projects are to be phased out, Martinez remains bullish about the short-term prospects for both industries. “I think there’s an enormous amount of solar, in particular, and some wind that’s going to continue to get built in the U.S. Wind is obviously the most challenged, but we’re certainly seeing wind repowering,” she said. Martinez is also confident that a lot of hybrid and co-located solar and storage projects will continue to get built. “I don’t think there’s any slowdown in sight. That’s the fastest and easiest [type of generation] to get built. Gas isn’t coming online for some time, while nuclear modular reactors are definitely coming, but they’ll start to impact maybe in five years.”

One of the biggest challenges the U.S. energy storage industry has faced is continuing operations amid the uncertainty regarding tariffs. As one industry insider observed, “tariff policy can change faster than the time it takes to ship components to the U.S. from where they’re manufactured.” There is anecdotal evidence that some importers have been considering strategies whereby batteries and components are shipped to warehouses in Canada, where they are stored in anticipation of the

“right day or week on tariff policy to get them into the U.S.,” according to one industry source. Cornell added, “The pendulum has been swinging so much. One day, you think there’s an agreement on a specific country and a specific tariff, and then, 24 or 48 hours later, it changes.” He continued: “So the question is, ‘are people going to invest tens or hundreds of millions of dollars in a project with that amount of uncertainty?’ The answer is no.”

“I think there’s an enormous amount of solar, in particular, and some wind that’s going to continue to get built in the U.S. Wind is obviously the most challenged, but we’re certainly seeing wind repowering.”

- **Sondra Martinez**, head of originations, Americas, project finance at NORD/LB



Despite Turmoil, **Significant Opportunities Exist** for the U.S. Storage Sector

“There is a big focus on long-duration storage in Texas, where most of the batteries are two hours, and in California, four hours, because otherwise you’re not eligible for capacity payments.”

- Investment bank source

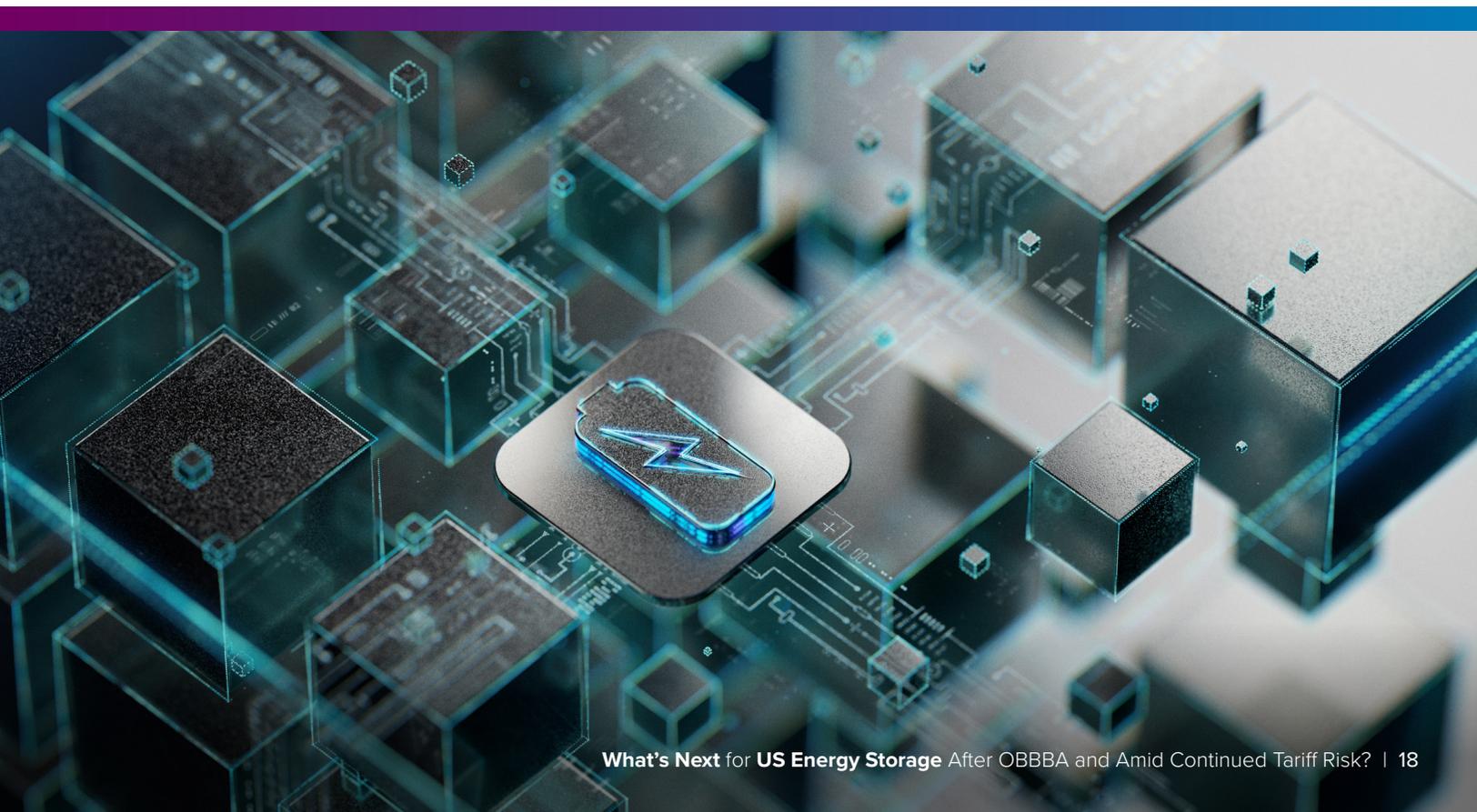
Given that disruptions to the lithium-ion battery supply chain — and specifically tariffs on Chinese imports — are posing significant challenges for the battery storage industry, there is a view that this could lead to the creation of major opportunities for manufacturers of alternative types of storage technology. Long-duration storage is coming to the fore in U.S. states with more established storage markets. “There is a big focus on long-duration storage in Texas, where most of the batteries are two hours, and in California, four hours, because otherwise you’re not eligible for capacity payments,” said the investment bank source. “California also has mandates on looking at even longer duration going forward because you have these multiday weather events a lot of the time, and when you have more and more renewables, that is something that is going to drive a search for alternatives.” That said, the investment bank source also acknowledged that, while tariffs on components impact the cost of batteries, lithium costs are declining, which is advantageous for lithium-ion technologies.

Furthermore, the investment bank source is adamant that the U.S. remains a considerably attractive market for battery storage investors. He said, “One of the questions I would ask as an investor is what are some of the positives in the U.S.? One is that we have this enormous load growth, AI/ data center-driven story. It’s very much U.S.-focused. You also have, for a pretty long time, the continuation of [storage] tax credits. So you have got these two things here that are not there in other markets, and while there is some uncertainty on tariffs and FEOC rules and so forth, I would think it is difficult to make the argument ‘let’s not look at the U.S. and move somewhere else’ given the size of the market and the continuation of tax credits for battery storage.”

Waranch believes the data center industry represents an extraordinary opportunity for both the energy storage and solar sectors. “Data centers require very high up times and, as such, they need both [storage and solar], and they need short-term and long-term reliability. We’re seeing more and more RFPs from tech companies of all types, not just the big data companies, and there’s a lot of secondary and tertiary

data centers out there,” he said. Waranch highlighted that the data center industry’s biggest fear is that the U.S.’ aging grid is “going to crumble” given the high levels of demand being added to it, and that the number of outages will increase. Consequently, on the one hand, many American citizens have an aversion to solar, gas, and coal power plants in their local community, and yet their power demands are ever-increasing. “The demand side is unrestrained, but the supply side is restrained,” Waranch commented.

That said, turmoil in the U.S. market is leading to some companies seeking opportunities in alternative markets. U.S.-headquartered Prevalon is working on several projects in Chile while also positioning itself for possible expansion into the Brazilian market. The company is also considering opportunities in Europe, according to Cornell. “We’re pursuing opportunities selectively,” he said. “Our focus is on supporting long-term customers, and as part of that, we are evaluating additional international markets such as the UK, Poland, Hungary, and Germany — rather than chasing broad market share.”



Fears of a **Power Price Surge** Are Intensifying

Given these scenarios, what's the net effect? "Power prices are going to rise dramatically," said Waranch. There are alarming precedents in the U.S. when it comes to precipitous increases in energy prices. In California, prices in the day-ahead wholesale market jumped by more than 500% between the second half of 1999 and the second half of 2000, as highlighted by the International Monetary Fund. Additionally, in the first four months of 2001, these wholesale prices continued to climb to an average of more than \$300 per megawatt-hour, or roughly 10 times what they had been in 1998 and 1999. As a consequence, the total annual cost of wholesale electricity for California increased from \$8 billion in 1999 to \$28 billion in 2000. While Waranch does not believe that power prices will increase as dramatically as they did in California in 2000, he envisages some scenarios that may bring about significant increases.

While the consensus view may be that storage emerged relatively triumphant from the OBBBA, stepping back and taking a macroeconomic perspective reveals that the Act has put up obstacles for the U.S. economy. Sandry said: "We're facing a skyrocketing demand for power that's only going to get worse because of extreme weather, while electrification of vehicles will continue even if it's not at the pace it was; AI power demand, industrialization, all those things are going to push power demand higher, and we've just put a big stumbling block in front of ourselves in terms of building out the supply."

Conclusion

Energy storage may have emerged as the “winner” from the OBBBA reckoning, but the Act’s FEOC provisions increase the complexity of project development, at least in the medium term.

While some storage players have managed to restructure supply chains, others are scrambling to put in place alternative arrangements. Some businesses consider the FEOC rules to be a significant obstacle to the energy storage industry’s future growth prospects, with certain battery storage system suppliers concerned that they will not be able to sufficiently readjust supply chains quickly enough to comply with the new rules. However, more broadly speaking, there is optimism that — with both major U.S. political parties demonstrating commitment to the U.S.’ onshoring of battery manufacturing — progress can be made, especially considering the onshoring successes witnessed following the passage of the Inflation Reduction Act. In this respect, several battery storage vendors are effectively using combinations of U.S., European, and Southeast Asian manufacturing in recent years.

Given the propensity of battery storage assets that have been built in conjunction with sources of intermittent generation, the phasing out of tax credits for solar and wind projects has led to speculation regarding the possible impact on battery storage deployment. However, a significant pipeline of renewable generation projects that have been safe-harbored will continue to qualify for the credits in the near and medium terms. In addition, energy storage’s versatility in terms of use cases untethers it from the fate of wind and solar to a meaningful degree. Meanwhile, the data center industry’s focus on reliability may drive more battery project development.

The battery storage industry still faces major challenges, particularly a highly volatile tariff environment. Consequently, a more stable trade policy environment would place the storage sector on a sounder footing.

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