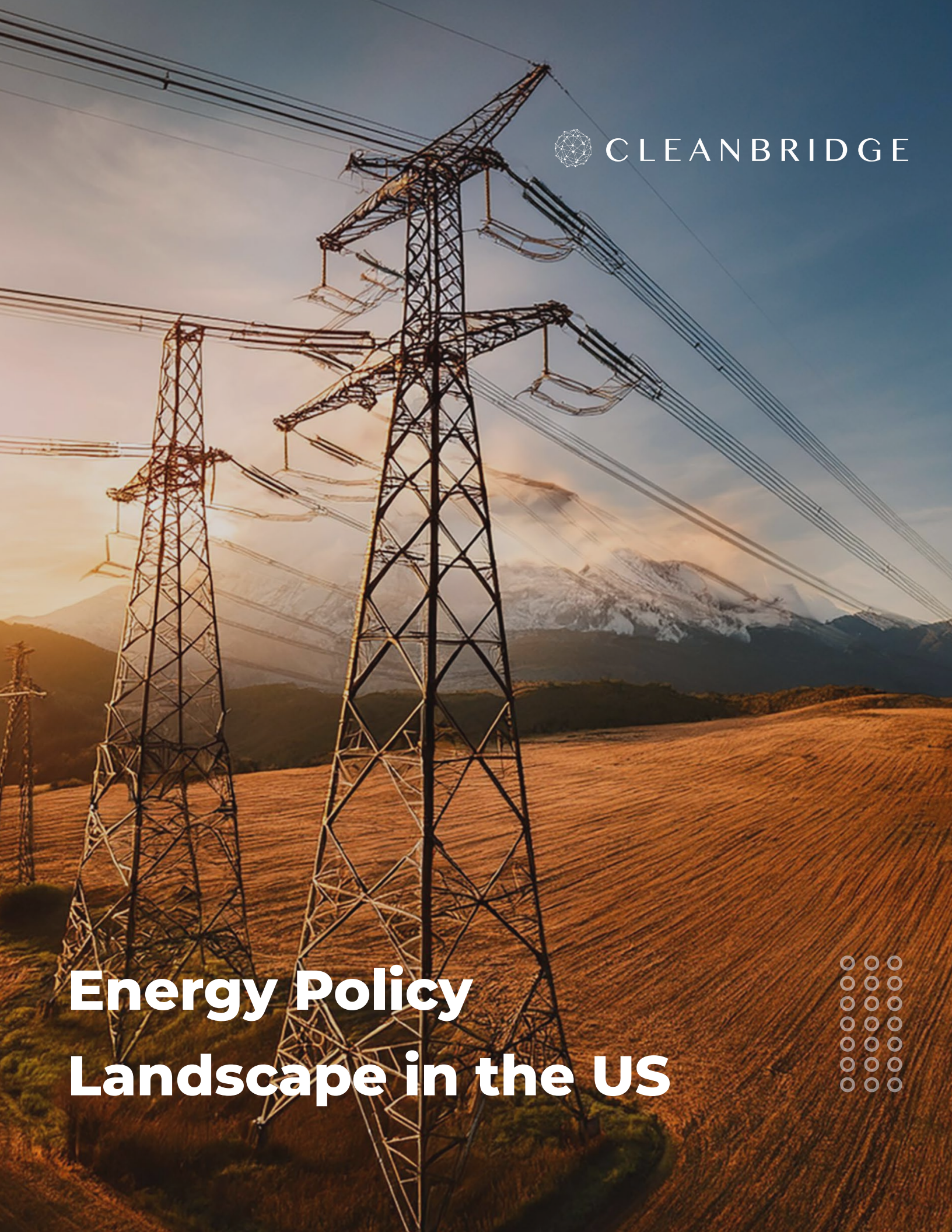

Energy Policy Landscape in the US

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Our latest CleanBridge Energy Current Report covers the rapidly changing and evolving policy landscape of the US low-carbon markets, and continues our series of low-carbon-focused industry reports. This work reflects a valued research collaboration with Alchemy Business Intelligence and Insights, a leading group actively engaged across low carbon markets. The report draws on policy data from industry associations and government authorities, supplemented by trade journals and news sources.

The US energy policy is at a decisive inflection point following the enactment of the One Big Beautiful Bill Act ("OB3 Act"). While the OB3 Act preserves the technology-neutral framework introduced under the Inflation Reduction Act ("IRA"), it accelerates the phase-down of wind and solar tax credits. Incentives remain, but access now depends on execution speed, compliance rigor, and domestic value creation. Utilities and integrated IPPs are well-positioned to thrive under these conditions. Smaller developers, however, should anticipate consolidation. The shift from administrative “continuous efforts” to the Physical Work Test elevates documentation and auditability as core requirements.

In essence, the OB3 Act reframes clean energy development from a policy-driven race for scale into a discipline-driven contest of liquidity and compliance. For stakeholders prepared to align with these imperatives, the near-term horizon offers significant opportunity.

We trust this primer provides valuable insights and look forward to sharing further updates on emerging energy transition trends in the months ahead.

L. Warren Pimm, CFA

Managing Partner
CleanBridge

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Introduction and Background

The United States (“US”) is undergoing a complex shift in its energy and industrial policy landscape, driven by a blend of interlocking and reinforcing policy objectives, macroeconomic impacts, and evolving energy dynamics. Recent legislative changes underscore an increasing divergence of views on the pace and framework of low-carbon energy investment, leading to a partial rollback of incentives and a renewed focus on conventional energy sources. This recalibration, often interpreted as politically driven, has introduced uncertainty across the renewable energy sector. At the same time, macroeconomic headwinds, rising electricity costs, and challenges in grid infrastructure continue to shape the debate around energy security and competitiveness. These trends signal a new phase in US energy policy, marked by tighter fiscal oversight, domestic manufacturing priorities, and a more selective approach to clean energy subsidies.

> “Regulatory durability has become a central factor for long-term US energy investment, with developers increasingly prioritizing stable rules over headline incentives”

Enacted on July 4, 2025, the One Big Beautiful Bill Act ("OB3 Act") is the central driver of the recent shift in US energy policy. Although the legislation addresses a broad range of priorities, its revisions to clean energy tax incentives introduced under the Inflation Reduction Act (“IRA”) have drawn particular attention. While the new technology-neutral tax credits, § 45Y (production tax credit, or “PTC”) and § 48E (investment tax credit, or “ITC”), continue to support a wide range of low-carbon technologies such as geothermal, hydropower, nuclear, carbon capture, and energy storage, the OB3 Act introduces a faster step-down, often termed an accelerated "sunset" period, specifically for solar and wind. This adjustment is paired with updated timing and “Continuity Requirements,” which set the standards for how long and how steadily a project must progress from the start of construction to being Placed in Service (“PIS”), the point at which it is fully operational and ready for its intended use. Since enactment, developers and investors have focused on how these updated statutory provisions interact with existing IRS guidance and project-level timelines, as they recalibrate expectations under the revised framework.

Beyond these adjustments, the OB3 Act also adds stronger compliance obligations. These include tighter rules on materials sourcing (expanded foreign entity restrictions), stronger domestic-content verification, and more rigorous disclosure requirements. Executive Order 14315 and the IRS Notice 2025-42 formalize how these rules work in practice.

Taken together, it is important for investors to note that these changes do not eliminate clean energy incentives but reshape them, moving from broad, open-ended support toward more targeted, time-sensitive measures focused on reliability, domestic manufacturing, and competitive technologies. Investors should also continue to read such changes alongside the impact of increased tariff activity imposed on certain import activities in the US. While headline tariff impacts have eased, they continue to influence project economics, though market uncertainty is being moderated by supply chain absorption, strategic import substitution and onshoring, exchange rate movements, and corporate investment in markets outside the US.

Key Legislative Changes and Impact

Accelerated Phaseout of Clean Energy Credits

The OB3 Act preserves the IRA's clean energy incentives but shortens the runway for wind and solar. Full-value credits (the highest available credit rate before reduction begins) remain available for projects that meet the updated construction start rules, while projects initiated later will not. Other zero-emission technologies continue to benefit from the technology-neutral framework, which extends further into the next decade.

Continuity and Construction Rules

IRS Notice 2025-42 updates the construction start standards by shifting the focus toward visible physical progress and making the "Physical Work Test", a requirement based on tangible construction activity, the sole method for determining actual construction status for all wind projects and for solar facilities > 1.5MW AC. Smaller distributed-generation projects (≤ 1.5MW AC) may continue to rely on the Five Percent "Safe Harbor", which previously allowed developers to establish construction start once at least 5% of total costs had been incurred. Projects that begin construction before July 4, 2026, still benefit from the Four-Year Continuity "Safe Harbor", a regulatory provision carried over from the previous administration that allows up to four years to complete construction and be operational, provided construction advances without extended interruption and any delays are supported by appropriate documentation.

Transition Relief for Pre-Existing Projects

Projects that begin construction before mid-2026 are generally grandfathered under the IRA framework. However, this protection does not extend to projects subject to foreign entities of concern ("FEOC") compliance, discussed further below. Projects that meet these requirements can continue claiming full-value credits if they are placed in service within their permitted continuity period, providing short-term policy certainty for transactions already underway. This transition relief gives developers and investors confidence that near-term pipelines will remain largely insulated from the accelerated adjustments introduced under the OB3 Act.

Transferability and Financing Stability

Despite the tightening of credit eligibility timelines, transferability and direct-pay mechanisms that allow companies and projects to monetize earned tax credits remain unchanged. The ability to transfer (sell) tax credits for cash continues in full, allowing developers and investors to monetize credits efficiently without relying solely on traditional tax-equity partnerships. Direct pay also remains available where permitted, allowing eligible entities to receive the credit's value as a cash refund even if they owe no federal tax. Together, these tools preserve liquidity and financing flexibility even as incentive timing becomes more compressed.

Foreign Entity Sourcing and Ownership Restrictions

The OB3 Act expands compliance obligations by tightening rules around ownership, sourcing, and financing linked to FEOCs, individuals, corporations, or governments considered detrimental to US national security and referred to as Prohibited Foreign Entities ("PFE"), entities tied to China, Russia, Iran, or North Korea. The US Department of the Treasury ("US Treasury") and the US Department of Energy ("DOE") will administer these rules through forthcoming guidance and regulations. These restrictions aim to strengthen domestic supply chain resilience and reduce strategic vulnerabilities, while still providing transition relief to avoid disrupting projects already under construction or in advanced stages of financing.

Material Assistance Limitations and Supply Chain Requirements

Material assistance restrictions for Internal Revenue Code ("IRC") 45Y, 48E, and 45X require taxpayers to ensure direct costs attributable to PFEs remain below the statutory material assistance cost ratio ("MACR") thresholds. The MACR threshold, in simplified terms, is the percentage of the total project or production costs not attributable to a PFE. Projects and components must exceed MACR thresholds to remain eligible. US Treasury is directed to publish MACR "safe harbor" tables by the end of 2026 for manufactured products and eligible components and, until those tables are issued, taxpayers may rely on tables provided in IRS Notice 2025-08 (domestic content calculations for solar, onshore wind, and battery storage) and supplier certification. This updated approach strengthens compliance expectations while advancing broader US industrial policy goals. In practice, this means developers must document sourcing pathways and demonstrate that key components meet MACR thresholds.

Emerging Opportunities in Clean Energy Incentives

Beyond its restrictive measures, the OB3 Act promotes diversification by preserving storage eligibility, extending clean hydrogen timelines, and raising § 45Q credits to $85/ton for all CO_2 uses, including Enhanced Oil Recovery ("EOR"). From 2026, Master Limited Partnerships ("MLPs") become available to Carbon Capture and Storage ("CCS"), hydrogen storage, geothermal, and nuclear, reducing capital costs and widening market participation.

Legislation Deep-Dive

The OB3 Act and Revised Beginning of Construction ("BoC") Framework

The OB3 Act and IRS Notice 2025-42 provide clearer guidance on how clean energy projects qualify for federal incentives, though ultimately uncertainty remains until FEOC compliance rules are formally issued. Nevertheless, the updates simplify compliance expectations and make it easier for developers to understand what constitutes acceptable evidence of progress.

A key shift is the move away from administrative "continuous efforts" toward verifiable construction activity. Eligibility now relies on visible physical work, making progress easier to confirm and reducing ambiguity. These refinements result in more predictable qualification criteria and a more straightforward documentation process.

Key Legislative and Compliance Milestones under the OB3 Act and IRS Notice 2025-42

Provision / Rule	Key Requirement/Timeline	Implications
The OB3 Act Enactment (July 4, 2025)	Introduces accelerated sunset for wind and solar tax credits while preserving eligibility for other zero- or net-negative-emission technologies	Restores legislative certainty, promotes fiscal discipline, and signals a pivot toward near-term deployment and manufacturing-linked incentives
Construction Start Deadline	Wind and solar projects must begin physical work by July 4, 2026, to secure full-value credits, though projects subject to FEOC requirements must complete FEOC "safe harboring" by December 31, 2025.	Creates a compressed window for project mobilization and financing, concentrating near-term construction activity
PIS Deadline	Projects starting after July 4, 2026, must be operational by December 31, 2027, to claim the full credit; later completions are ineligible	Establishes a firm completion cliff that concentrates capital deployment and project execution activity before 2028
Grandfathering of Pre-2025 Projects	Projects begun before September 2, 2025, retain prior "safe harbor" and continuity treatment	Protects existing pipelines and tax-equity structures from retroactive rule changes
Physical Work Test (BoC Standard)	Only tangible on-site (e.g., installation of mounting racks, torque tubes, piles, etc.) or project-specific off-site work (e.g., manufacturing project-specific components such as PV module racking assemblies, nacelles, blades, etc., under written contracts) qualifies. In parallel, many developers are also pursuing equipment "safe harboring" to lock in eligibility under current rules.	Ensures measurable progress and documentation discipline

Continuity Requirement	Projects must maintain a continuous program of physical work of significant nature; former “continuous efforts” standard, where administrative actions such as engineering, permitting, or procurement could help maintain eligibility, is eliminated	Strengthens compliance oversight and reduces audit risk
Excusable Delays	Projects encountering verified excusable disruptions (e.g., permitting or weather) may pause work without disqualification, provided documentation substantiates the interruption	Provides limited flexibility while preserving compliance integrity
Phase Down for Other Technologies	Storage, geothermal, hydro, advanced nuclear, and fuel-cell projects: 100% credit ≤ 2033, 75% in 2034, 50% in 2035	Extends investment runway for emerging sectors and diversifies capital flows

Sources: US Congress, IRS, FOSS & Company, The Tax Law Center, Walker Blue, Norton Rose Fulbright

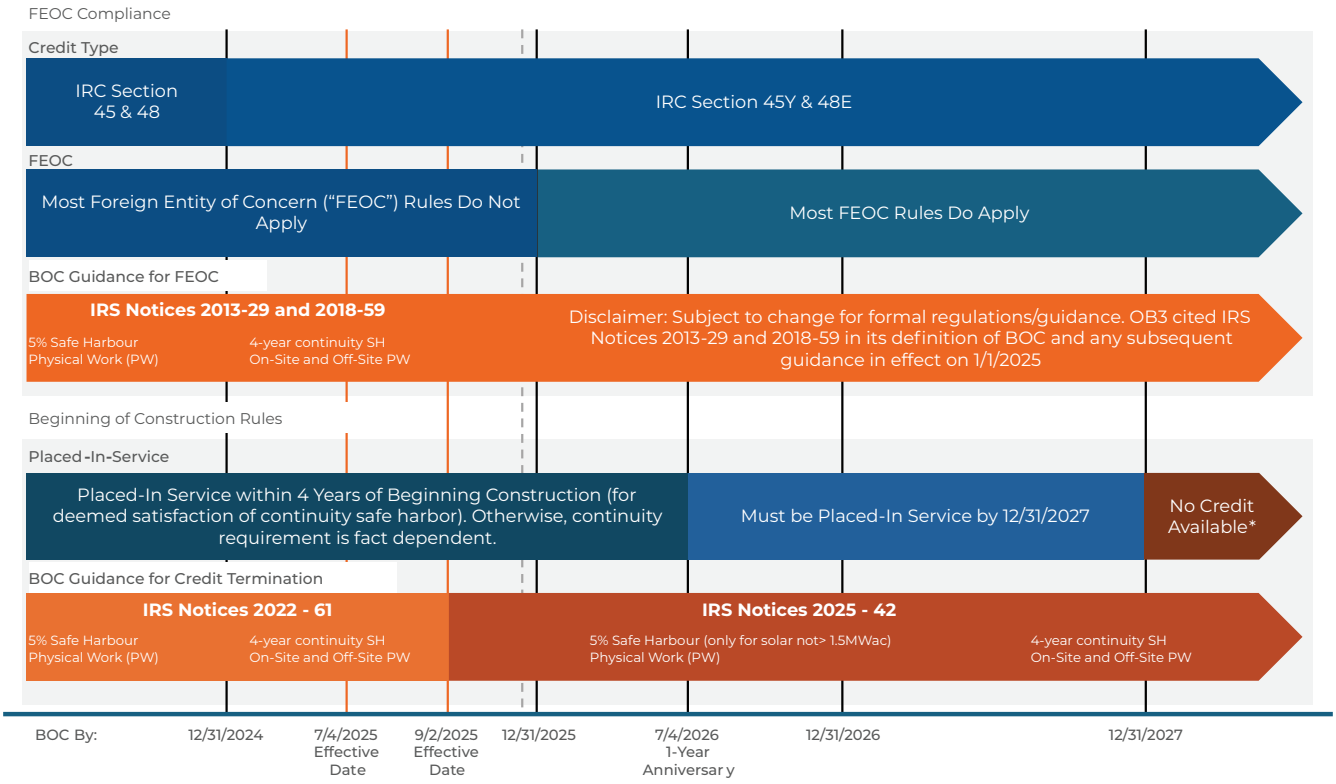
Beyond the headline deadlines, Notice 2025-42 also refines the mechanics of project qualification: how construction start dates are recognized, how credits get transferred between owners, and what documentation developers must maintain to protect credit eligibility.

Compliance Rules for BoC, Project Transfers, and Documentation Standards

Aspect	Key Provision	Implications
Multiple BoC Dates	Different compliance tests (e.g., prevailing wage rules, foreign-entity rules) may use different start dates	Only the PTC/ITC credit-termination timeline is governed by Notice 2025-42
Project Transfers	Physical progress can carry over in transfers between related parties (entities that share ownership or control) but must be re-established in a sale to an unrelated party	In a transfer consisting solely of tangible property to an unrelated transferee, the buyer cannot rely on previously completed physical work to establish the beginning-of-construction status and would need to satisfy the relevant BoC test anew.
Single-Project Treatment	Facilities sharing ownership, permits, or financing are treated as one project	Time of construction and operational tests apply at the consolidated project level
80/20 Rule for Retrofits	Retrofitted facilities qualify if ≥ 80% of total value derives from new components, ensuring that only projects with substantial upgrades are treated as newly placed in service	Ensures credit support goes to significant new investment
Documentation/ Burden of Proof	Developers must retain contemporaneous evidence (photos, logs, engineering reports, manufacturing contracts)	Required to substantiate both construction and continuity compliance; critical for IRS audits or transferability opinions

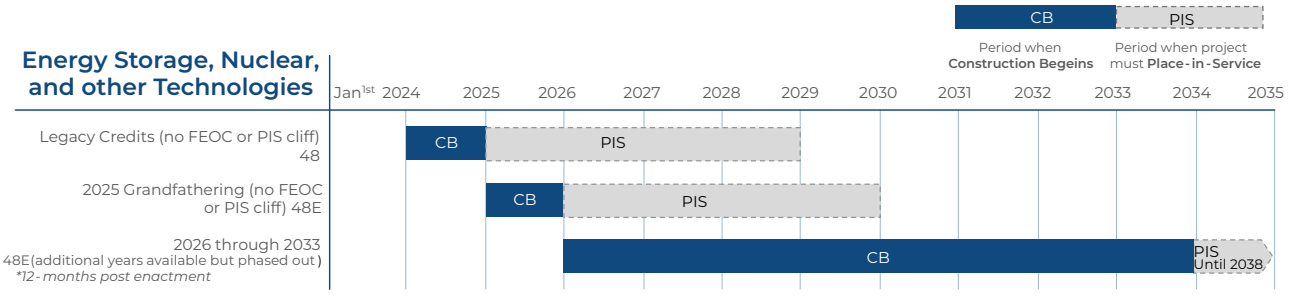
Sources: US Congress, IRS, FOSS & Company, The Tax Law Center, Walker Blue

The OB3 Act Timeline for Solar and Wind ITC and PTC



Source: Crux Climate

The OB3 Act Timeline for Storage, Nuclear and Other Technologies



Source: FOSS & Company

Investor Perspective

For sponsors and investors, the OB3 Act's implementation arguably marks a transition from recent policy uncertainty to predictable, performance-based opportunities. Liquidity remains strong and the next 24–30 months represent a decisive window to initiate or finance projects that align with the updated construction timing and operational timing requirements.

Strategic pipeline management now hinges on four key buckets:

1. Grandfathered assets that keep prior status
2. In-progress projects able to document physical work by July 2026, as well as those commencing after July 4, 2026, but becoming operational before December 31, 2027
3. Distributed generation ≤ 1.5MW AC which may retain broader flexibility
4. Post-2028 solar and wind projects competing without the benefit of ITC and PTC, an area in which developers, IPPs and investors are already actively transacting.

Beyond 2027, as new solar and wind projects increasingly compete without the benefit of ITC and PTC support, capital is already reallocating toward asset classes that enhance grid flexibility and monetise volatility. Storage - particularly solar-plus-storage configurations - and distributed energy platforms that enable virtual power plants (including DG, community solar, and microgrids) are attracting growing investment as they offer diversified revenue stacks and reduced exposure to single-policy outcomes.

In parallel, advanced manufacturing credits are viewed as comparatively lower-risk and more durable than generation-linked incentives, with domestic content and FEOC considerations expected to drive continued expansion in eligible credit supply. While hydrogen and carbon capture continue to benefit from policy support, investor activity remains selective as project-level economics and execution risk constrain near-term deployment. Acting now allows developers and investors to capture value under current incentive structures while positioning portfolios for a more market-driven clean-energy investment landscape.

Foreign-entity Restrictions, Material Assistance Requirements, and Penalties for Non-Compliance

The OB3 Act strengthens supply chain rules for projects seeking PTC/ITC credits by limiting the involvement of restricted foreign entities and raising expectations around domestic and allied sourcing. These measures ensure that federally-supported clean energy projects rely on transparent, reliable, and well-documented supply chains.

The broader compliance framework under the OB3 Act builds on precedents from § 30D of the Internal Revenue Code (the Clean Vehicle Credit), which first introduced restricted-foreign-entity-based sourcing and ownership limits for electric vehicles. The same four compliance pillars (ownership, contractual control, material assistance, and documentation) now extend to clean-power and energy-storage projects.

Compliance Structure

Ownership and Control

To qualify, projects must maintain clear and compliant ownership structures. Projects are ineligible if any owner or controlling entity is a restricted foreign entity. These include Specified Foreign Entities ("SFE"), those controlled (>50%) by governments or nationals of China, Russia, Iran, or North Korea, or listed on the Office of Foreign Assets Control's ("OFAC") Specially Designated Nationals ("SDN") List, the Uyghur Forced Labor Prevention Act ("UFLPA") list, or the Chinese Military Companies list. They also include Foreign-Influenced Entities ("FIE"), which are entities in which an SFE holds ≥25% equity, ≥40% of debt, appoints a covered officer, or exerts effective influence through contractual or payment arrangements.

These restrictions exist to ensure that clean energy incentives are not indirectly supporting entities from jurisdictions or actors identified by the US government as presenting national security or compliance risks. Verifying ownership is now a standard part of project diligence and closing, and sponsors should be prepared to provide formal declarations confirming compliance with these rules.

Compliance must be evaluated holistically, as ownership restrictions, contractual influence, and material assistance operate as independent bases for ineligibility, such that mitigating supply chain exposure alone does not cure noncompliance arising from ownership or control arrangements.

Sourcing and Manufacturing

The OB3 Act strengthens the material assistance framework, which sets minimum sourcing expectations for major components and equipment.

- Starting in 2026, projects must meet the MACR: minimum sourcing levels from qualifying suppliers.
- MACR thresholds increase annually through 2030.
- Projects beginning construction in 2025 or earlier are exempt from these sourcing ratios but must still meet ownership and control restrictions.

Clearly, domestic-content rules are tightening, with the bonus credit for the development of projects using US-made components now requiring stronger considerations for domestically manufactured materials. It is important to distinguish between domestic-content eligibility and compliance with the MACR. Satisfaction of domestic-content thresholds does not, on its own, establish compliance with material assistance requirements. A project may qualify for domestic-content purposes yet still be disqualified if costs attributable to a SFE or FIE exceed applicable limits. As a result, domestic sourcing cannot be treated as a substitute for FEOC compliance.

It should be noted that the shift toward US-based manufacturing of solar, storage, and inverter components was underway well before the OB3 Act's sourcing thresholds and domestic-content requirements took effect. Several major original equipment manufacturers ("OEMs") have moved to establish or expand US manufacturing between 2023 and 2025, driven initially by IRA incentives, tariff and trade risks, and supply-chain security goals. The OB3 Act's foreign entity restrictions, minimum sourcing requirements, and stricter domestic-content bonus rules are therefore expected to accelerate this trend.

Documentation and Auditability

Developers must maintain clear, dated, verifiable records demonstrating how sourcing, manufacturing, contracting, and ownership requirements are met. This includes supplier declarations; procurement records; engineering logs; component traceability evidence; sourcing and manufacturing documentation; and signed contracts and amendments. This documentation is essential for IRS audit readiness and facilitates credit-transfer transactions.

Documentation must also substantiate that no disallowed material assistance has been provided, including cost attribution and supplier ownership transparency where relevant. Reliance on conclusory certifications alone may be insufficient if underlying cost data or upstream ownership information is incomplete. Accordingly, documentation practices increasingly require alignment between procurement records, cost accounting, and ownership disclosures to demonstrate MACR compliance.

Grandfathering and Transition Relief

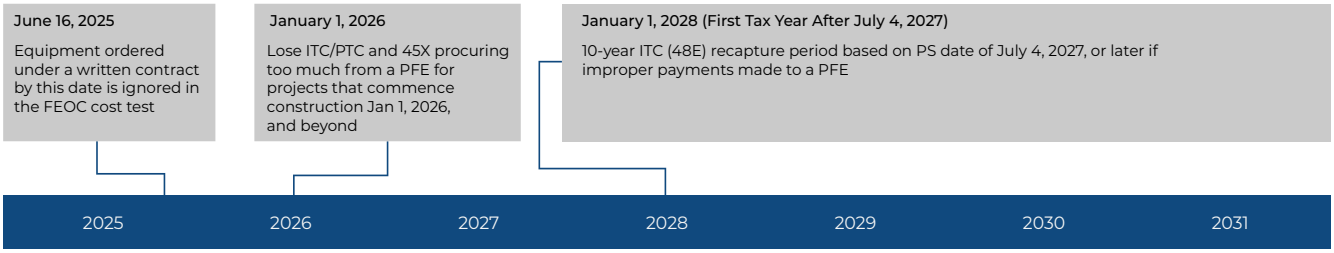
Projects that began construction before January 1, 2026 are exempt from minimum sourcing thresholds, allowing existing pipelines to continue without disruption. These grandfathered projects must still comply with ownership and control rules but are not subject to the stricter minimum sourcing requirements. New projects, however, must be designed to meet escalating minimum thresholds and domestic-content expectations.

Together, these updates create a unified compliance system centered on transparency, traceability, and record-keeping. As Treasury and the IRS release detailed guidance on verification procedures, developers can expect clearer certification templates and more predictable review processes.

Projects remain eligible when they meet ownership restrictions, avoid contractual control risks, comply with minimum sourcing thresholds and domestic-content thresholds, and maintain thorough documentation. Eligibility risks arise when restricted foreign entities hold influence, when contractual arrangements inadvertently grant operational control or when sourcing ratios fall short after the rules are in effect.

Material Assistance Restrictions

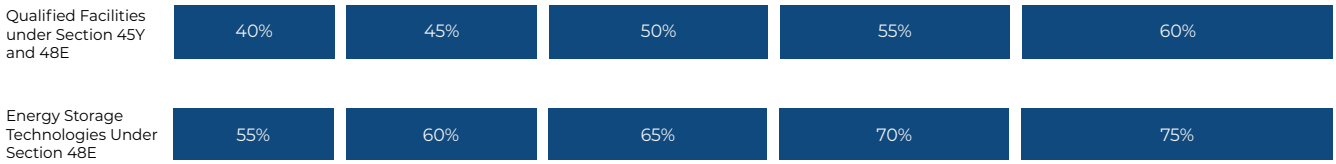
Foreign Entity of Concern ("FEOC") rules prohibit taxpayers from claiming tax credits if the owner receives "material assistance" from a PFE



Material Assistance Threshold

Determined by a cost-based formula

For projects beginning construction in these years



Source: FOSS & Company

Investor Perspective

For sponsors and investors, the restricted foreign entity framework encourages disciplined compliance rather than penalization. Projects with US-manufactured components, allied-sourced equipment, or diversified supply chains already have a structural advantage. The primary focus is on maintaining clear documentation, including contracts, supplier declarations, and project files that confirm the absence of restricted foreign influence. Early alignment with Treasury's forthcoming verification standards will strengthen eligibility and support efficient credit transfers. In essence, these measures elevate transparency expectations while aiming to provide predictable long-term conditions for diligent investors, though this is offset by continuing uncertainty around forthcoming FEOC guidance, interpretation, and enforcement.

On a broader level, it should be noted that these sourcing obligations intersect with residual tariff considerations from earlier in 2025. While headline volatility has moderated, tariffs continue to influence procurement decisions and overall project costs. Developers are therefore already leveraging domestic sourcing, supply-chain absorption, and onshoring strategies to mitigate these effects, which help reinforce compliance with the OB3 Act's domestic-content and FEOC requirements.

Updates to Other Credits

Beyond structural safeguards, the OB3 Act refines the clean energy incentive framework by updating credit programs to improve clarity, align incentives with near-term deployment, and maintain fiscal discipline. These revisions adjust timelines and eligibility while preserving overall IRA continuity for investors.

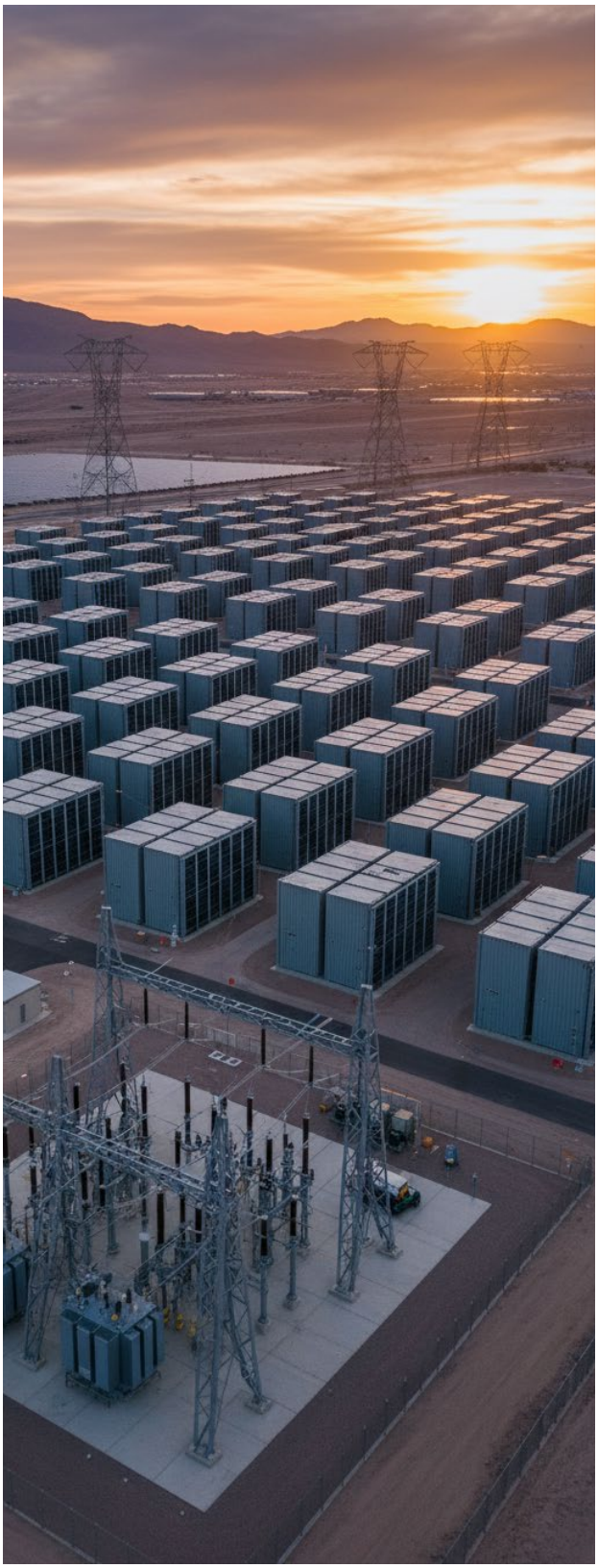
Credit Program	Key Policy Adjustments	Market Implications
§ 45X – Clean Energy Manufacturing Credit	▪ Manufacturing incentives increasingly favor solar, storage, and integrated facilities through 2030, while wind credits sunset after 2027, critical materials get brief support, and critical mineral incentives phase down by 2033	▪ Solar and storage prioritized; wind ends; critical materials get brief, declining support
§ 45Z – Clean Fuel Production Credit	▪ Low-carbon fuel credits extended, stricter feedstock rules added, and Sustainable Aviation Fuels (“SAF”) premium unified	▪ Extends runway, tightens sourcing, clarifies stacking, improving investment certainty overall
§ 45Q – Carbon Capture & Sequestration (“CCS”) Credit	▪ Establishes a unified $85/ton credit across all CO_2 uses (including EOR), maintains higher rates for Direct Air Capture (“DAC”), and adds MLP eligibility from 2026 for CCS, hydrogen storage, geothermal, and nuclear	▪ Enhances commercial viability for industrial and EOR projects, broadens capital access via MLPs, and supports midstream CO_2 transport and storage infrastructure
§ 48C – Advanced Manufacturing Credit	▪ Ensures unclaimed awards expire and preserves credit value for originally approved factory projects	▪ Tightens competition for limited support, emphasizing execution and timely delivery
Fuel Cell & Geothermal ITC Adjustments	▪ Automatically qualifies fuel cells for the 30% ITC with optional bonus adders and confirms eligibility for third-party geothermal heat-pump installations	▪ Simplifies qualification for distributed and third-party systems while broadening investor access to smaller clean energy assets

Source: FOSS & Company

ITC/PTC Adders and Effective Credit Rates

Beyond the base Investment Tax Credit (“ITC”) and Production Tax Credit (“PTC”) levels, project economics are increasingly driven by the availability and stackability of statutory adders. Under the OB3 Act framework, qualifying projects can increase the base 30% ITC (or equivalent PTC) through a combination of location- and sourcing-based incentives, most notably the Energy Community adder (+10%) and the Domestic Content adder (+10%). When fully stacked, these adders can lift effective ITC rates to 40–50%, materially improving after-tax returns and financing capacity.

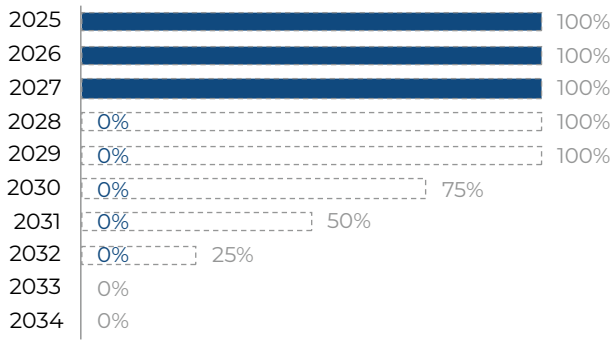
Importantly, adders are not automatic. Each requires independent qualification, documentation, and verification, shifting value creation upstream into siting decisions, procurement strategy, and EPC execution. As a result, adder eligibility has become a core determinant of investability, influencing project selection, capital allocation, and relative competitiveness across technologies and geographies.



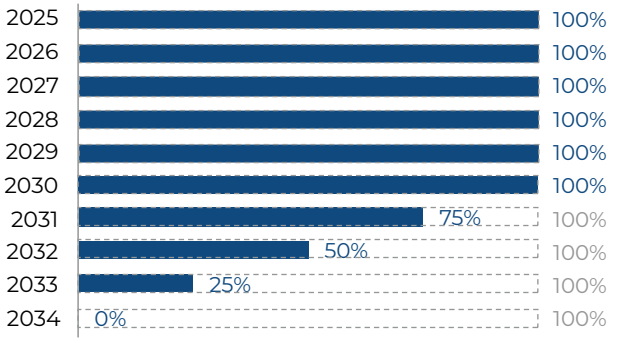
Changes to 45X Tax Credit

45X Credits are cut off for wind and phased out for critical minerals but retained for solar, energy storage, and inverters.

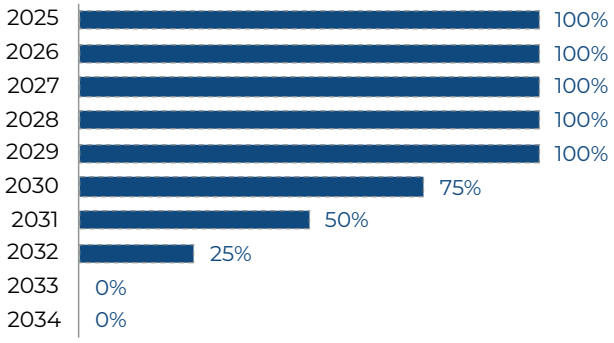
Wind 45X PTC



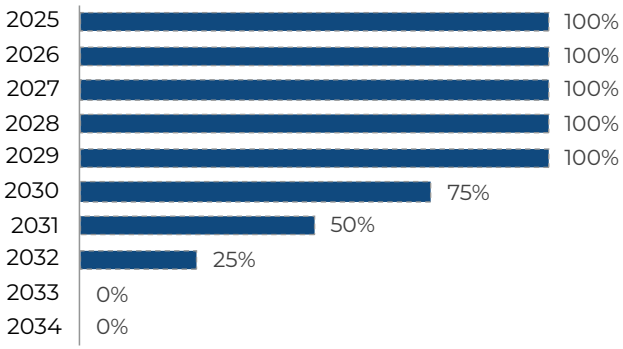
Critical Minerals 45X PTC



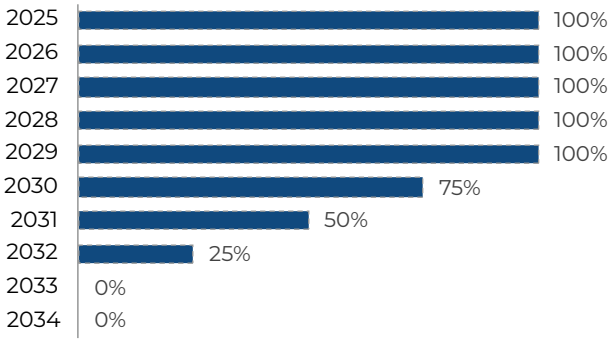
Solar 45X PTC

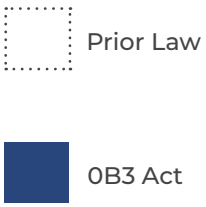


Energy Storage 45X PTC



Inverters 45X PTC



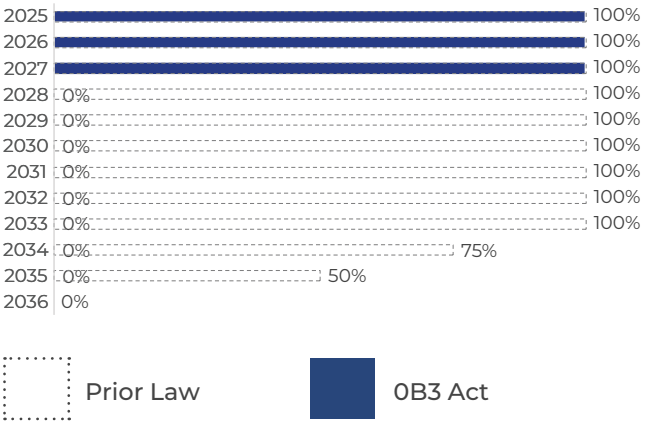


Source: FOSS & Company

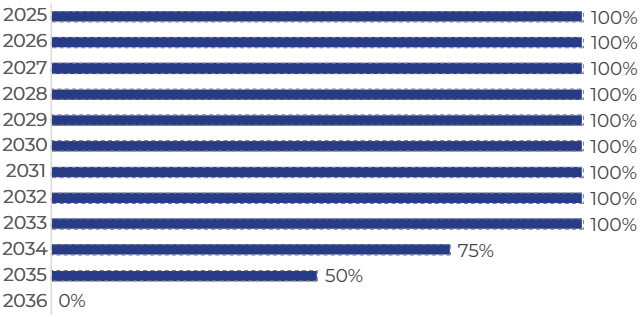
Changes to 48E Tax Credit

48E credits for technologies other than wind and solar are largely preserved under the OB3 Act, which ends the IRA's emissions-based trigger with a fixed statutory phase out beginning after 2033.

Solar and Wind 48E ITC



Other Technologies 48E ITC



Note: Eligibility is determined by the project's Beginning of Construction (BOC) date.
Source: Modo Energy, Arnold & Porter

Investor Perspective

For investors, the OB3 Act's revisions sharpen timelines but preserve clean energy economics. Clearer manufacturing and fuel-credit windows encourage quicker factory and biofuel project delivery, while carbon-capture and advanced manufacturing updates broaden tax-equity diversification. With the rulebook settled, capital can move confidently as sponsors focus on timely compliance.

Conclusion and Investor Outlook: Navigating a Narrower, More Disciplined Market

The latest legislative changes introduced by the current government have reshaped the US clean energy investment landscape, compressing development timelines for wind and solar while reaffirming the durability of the broader tax-credit framework. The near-term environment is evolving but stable: the transferable-credit market was projected to reach $60 billion in 2025, reflecting strong institutional appetite despite tighter compliance.

A narrowing execution window is now concentrating capital into 2026–27, driving prioritization of construction-ready assets. Beyond this period, incentives and investor focus are pivoting toward next-generation technologies, energy storage, clean hydrogen, advanced nuclear, and carbon capture that extend yield visibility into the 2030s.

We contextualize below the implications of the OB3 Act and dissect the implications for key counterparties. In essence, the OB3 Act divides the market into those with balance sheet strength and those without.

Utilities

Utilities, in this case specifically those developing and owning generation projects, approach the OB3 Act era from a position of strength. Regulated cost recovery, established integrated resource planning ("IRP") cycles, and access to long-duration, low-cost capital provide insulation against financing volatility and enable effective construction sequencing, even under more stringent tax-credit provisions and sourcing requirements. These structural advantages allow scaled utilities to move earlier than the market expects, advancing late-stage projects with firm permits, interconnection, and engineering, procurement, and construction ("EPC") contracts, while re-sequencing early-stage assets and selectively accelerating eligible builds to secure incentives and maintain strategic optionality.

Utilities with renewables-heavy pipelines may pull forward projects originally slated for 2030–31 into 2027–28, countering investor concerns around capital pullbacks. However, sourcing compliance has become a critical gating factor, requiring earlier attention to provenance and documentation during procurement. With fewer incentives and slower supply growth, developers will rely more on real market prices to decide where to invest. Utilities that own both generation and networks are arguably in a stronger position because they can respond quickly to higher scarcity pricing and stronger capacity payments. Additionally, the reinstatement of 100% bonus depreciation enhances near-term cash flow and lowers regulated revenue requirements, reinforcing the case for timely capital deployment.

A significant additional challenge to consider in the broader landscape for utilities is the need to plan for very large but uncertain forecast demand growth, for example from data centers. While not directly linked to ITC/PTC dynamics, this scenario will favor utilities with the flexibility to deploy capital and project timing in a suitable way to respond to increasing loads from rapidly emerging energy demand trends.

Institutional Expectations

Tax Equity

Utilities and IPPs are increasingly focused on maximizing tax equity value rather than relying on it less—using strategies such as in-house EPC delivery to increase Fair Market Value above hard capex and optimize the volume of sellable tax credits. By contrast, merchant and unregulated platforms face stricter beginning-of-construction substantiation, supply-chain eligibility checks, and milestone-linked funding requirements throughout the tax equity raise.

Tax Credits

Utilities increasingly use transferable credits alongside tax equity to accelerate cash realization while retaining ownership. Minority-interest sales remain a preferred way to establish defensible FMV, particularly for self-built, in-house EPC assets. Execution places greater weight on upfront compliance and documentation but reduces dependence on external tax equity where balance-sheet capacity allows.

Debt

Utility-level access to low-cost, long-tenor debt remains robust; though project-level financings will see tighter construction-start verification and more conservative refinancing assumptions.

EPC

Contracts will front-load compliance—earlier milestone payments, stronger liquidated damages ("LD"), sourcing declarations, and longer-lead procurement. Critical-path equipment should be secured within six months; scopes re-issued over 12–24 months to ensure non-restricted sourcing.

Equity

Capital shifts toward late-stage projects with highest compliance visibility; peripheral assets may pause or be marketed.

Outlook: Short term (next 6–12 months)

Utilities must prioritize shovel-ready projects, pause early-stage assets lacking firm interconnection or vendor commitments, lock EPC and vendor certifications for compliant module and balance-of-plant supply, and pre-align tax-equity and debt terms for merchant or unregulated assets. They also need to update IRP and rate-case inputs for a higher forward levelized cost of energy ("LCOE"), supply constraints, and revised depreciation and tax parameters.

Outlook: Mid-to-long term (12+ months)

Consolidation is expected to favor larger regulated players and integrated platforms that can absorb higher upfront costs, while driving deeper investment in supply-chain transparency, long-term vendor relationships, and hybrid storage. Utilities will rely more on real market prices when choosing how to procure power. They'll more carefully compare owning the project themselves versus signing long-term PPAs, making decisions based on which option offers better value after adjusting for risk.

Independent Power Producers ("IPP")

While many IPPs—which, unlike pure developers, not only develop projects but also retain ownership of some operating assets—have the scale and experience to manage the OB3 Act's compressed timelines, the impact is not uniform. In practice, even large, integrated platforms are aggressively cutting solar and wind projects from their pipelines if they cannot realistically meet the revised ITC/PTC deadlines, turning the policy shift into a material portfolio-level reshaping rather than just a scheduling issue. As a response, well-capitalized IPPs are able to move faster than developers and to acquire stranded or near-term eligible projects from counterparties that lack the offtake strength or financing certainty to proceed. As a result, the market is likely to bifurcate, with well-capitalized IPPs consolidating and smaller developers facing project attrition.

As incentives tighten and scheduling pressure increases, IPPs are likely to prioritize projects with predictable qualification pathways while retaining the flexibility to redirect capital toward assets with stronger capacity value or more durable offtake visibility.

Institutional Expectations

Tax Equity

As primary consumers of tax equity funding, slices of the IPP's merchant/unregulated portfolios will face tighter diligence—shorter conditional windows, earlier physical-work verification, restricted-foreign-entity-compliant supply-chain attestations, and milestone-driven funding.

Tax Credits

IPPs are evaluating credit sales as an alternative or sequencing tool alongside tax equity, especially for merchant or unregulated assets under timeline pressure. FMV is commonly established through minority-interest sales, with pricing increasingly differentiated by schedule risk, sourcing compliance, and sponsor strength—favoring well-capitalized platforms.

Debt

Lenders will re-price schedule risk and enforce tighter debt-service coverage ratio ("DSCR"), covenant buffers, and higher equity cushions where tax-credit certainty or take-out timing is compressed.

EPC

EPC contracts will be re-scoped toward firmer LDs, front-loaded physical-work milestones, provenance warranties, and validated prohibited foreign entity sourcing. IPPs with long-term vendor relationships and in-house procurement retain a material advantage in locking compliant supply.

Equity

IPPs can rely on internal capital and bonus-depreciation cash flow to meet accelerated milestones or pursue opportunistic M&A, to ensure integration of eligible projects.

Outlook: Short term (next 6–12 months)

IPPs must audit their pipelines for construction-start status and restricted foreign entity exposure, prioritizing projects with firm permits, interconnection agreements, and credible offtake. They should secure long-lead procurement and

vendor certifications early to ensure compliant module and balance-of-plant supply. In parallel, IPPs need to preassemble tax equity, debt, and construction documentation to compress underwriting timelines and clearly demonstrate eligibility under the revised rules.

Outlook: Mid-to-long term (12+ months)

Consolidation accelerates as well-capitalized IPPs acquire stalled or non-compliant pipelines, and the market shifts toward balance-sheet-backed ownership models. Storage-hybrid and non-solar assets may gain share as they offer cleaner compliance pathways and more stable incentive profiles under the OB3 Act. Baseline costs rise with deeper sourcing controls, but long-term policy risk decreases as restricted foreign entity and construction start rules drive onshoring and stronger governance.

Developers

The new policy environment materially raises the bar for developers—players undertaking development activities for projects before selling to institutional buyers, primarily at a construction-ready stage. Flexible “safe harbors” have narrowed, timelines have accelerated, and physical-work and restricted foreign entity requirements now require more upfront planning, paperwork, and funding. This compresses the margin for error and forces pipeline triage—only well-progressed, construction-ready projects can move forward, while marginal assets are paused, re-sequenced, or canceled where economics no longer work without credits. Sponsors are reassessing project economics, recalibrating pricing, refining pipelines and, in some cases, divesting projects. Larger, well-capitalized players are using the reset to pursue M&A that consolidates projects with clearer eligibility and execution profiles. At the same time, less-capitalized developers are struggling with timely placement of security for interconnection access and longer-dated equipment orders, further widening the gap between platform-scale developers and capital-constrained participants.

Capital is shifting toward scale, operational maturity, and late-stage pipelines. Strategic energy firms, private equity, and infrastructure funds are concentrating investment in developers with operating portfolios, advanced-stage assets, disciplined governance, and credible execution capacity. These platforms benefit from the ability to recycle capital—selling contracted, de-risked assets to fund near-term builds—and maintain optionality in utility-scale solar and storage, which remain the most investable under the new policy regime.

Institutional expectations

Tax Equity

While IPPs and utilities ultimately assume responsibility for securing tax equity post-acquisition, developers must ensure their development activities continue to support tax equity requirements, such that buyers of the projects can secure financing, demonstrate construction readiness, and navigate compliant supply-chain obligations once the project is acquired.

Tax Credits

Developers are not typically the ultimate credit sellers, but early-stage decisions materially affect transferability and pricing post-acquisition. Weak construction-start evidence, EPC scoping, or sourcing documentation can impair monetization, prompting buyers to diligence tax-credit readiness earlier in the development cycle.

Debt

In a similar vein to tax equity, while IPPs and utilities take on responsibility for securing project debt after acquisition of developed projects, developers must structure their development work to meet lender expectations, ensuring buyers can access financing, confirm construction readiness, and manage compliant supply-chain obligations once the project is transferred.

EPC

Contracts move to the critical path, with firmer LDs, earlier physical work–linked milestones, and tighter sourcing declarations. Weak supplier agreements risk failing BOC thresholds.

Equity

Sponsors must inject more early capital to meet milestones or cover non-restricted-foreign-entity capex. Smaller developers face "sell, partner, or exit" decisions; larger players can re-allocate internally or acquire shovel-ready assets.

Outlook: Short term (next 6–12 months)

Developers must audit construction-start and restricted foreign entity exposure across pipelines, accelerate permitting and interconnection, lock compliant EPC and supply-chain commitments, and pre-assemble tax equity and debt diligence to compress underwriting. Capital-constrained developers may lack the liquidity or contracting leverage required to meet tightened rules, pushing them toward asset sales, partnerships, or exits.

Outlook: Mid-to-long term (12+ months)

Expect consolidation, increased M&A and upward repricing of new generation as developers pass compliance-driven costs to buyers. Some will pivot to less-constrained technologies or geographies. Over time, tighter rules will drive deeper onshoring, stricter supply-chain governance and more robust ownership structures—raising baseline costs but reducing long-term policy and legal risk.

Our Perspective

In our view, the next 18–24 months will reward entities that can combine execution capacity, internal liquidity, and compliance readiness. Developers who cannot quickly secure tax equity or construction debt will either pause pipelines or sell mid-development assets to stronger sponsors. Utilities and institutional IPPs, on the other hand, will treat this as an opportunity to increase market share under compressed competition.

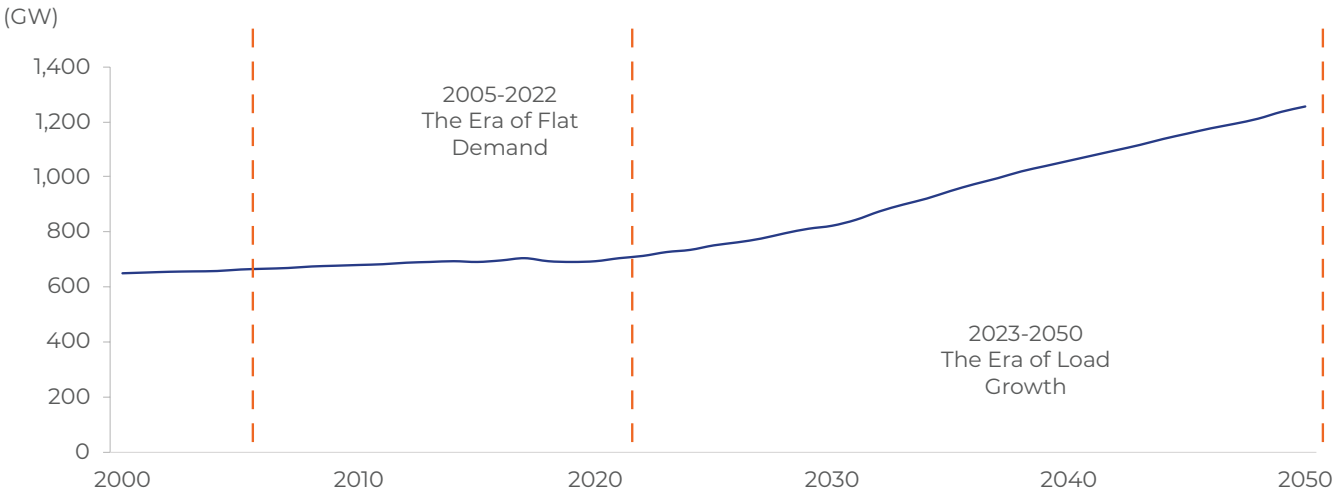
Appendix

Macro Fundamentals and Current Energy Dynamics in the US

The US power system is entering a phase of structural demand growth driven by electrification and digital infrastructure, with AI-enabled data centers emerging as a major source of incremental load. Rising EV adoption, fast-charging networks, and industrial electrification are broadening demand simultaneously, putting sustained pressure on capacity needs. At the same time, conventional natural-gas projects face rising equipment costs and longer procurement cycles, reducing their historical economic advantage. This shift strengthens the competitiveness of renewables and hybrid systems, whose declining cost trajectories and maturing supply chains position them well to meet rapid load growth. System-wide constraints like permitting, transmission congestion, and resource intermittency continue to shape deployment. Gas-fired assets retain operational value as flexible, dispatchable capacity. Overall, these dynamics reinforce a US energy landscape where renewables and storage are the most scalable and economically resilient options to meet rising demand.

Rising US Power Trends

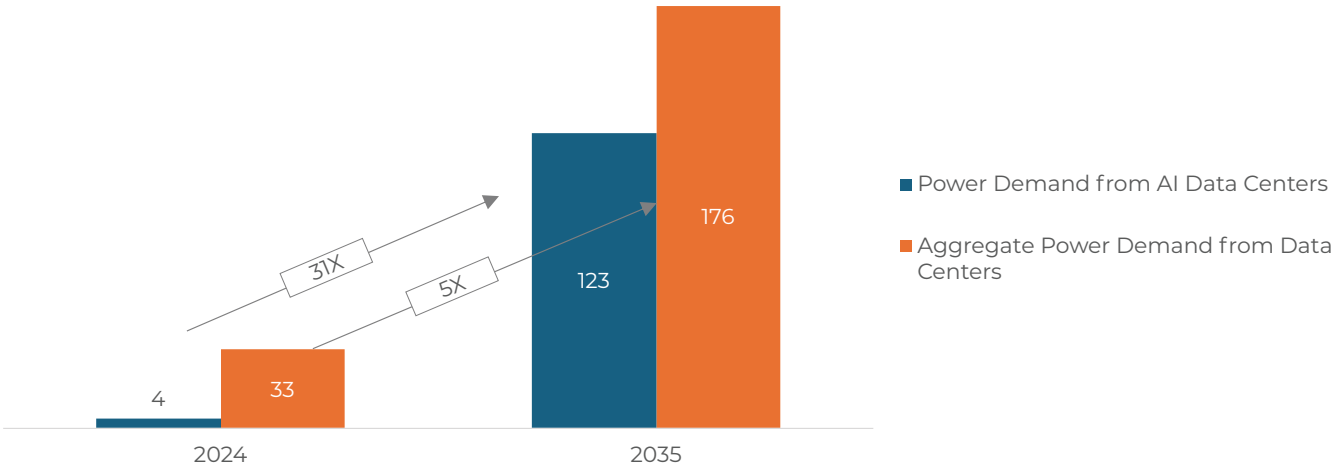
Total US Electricity Demand Rapidly Growing to 2050



Source: US Energy Information Administration (EIA)

Expected Demand Growth

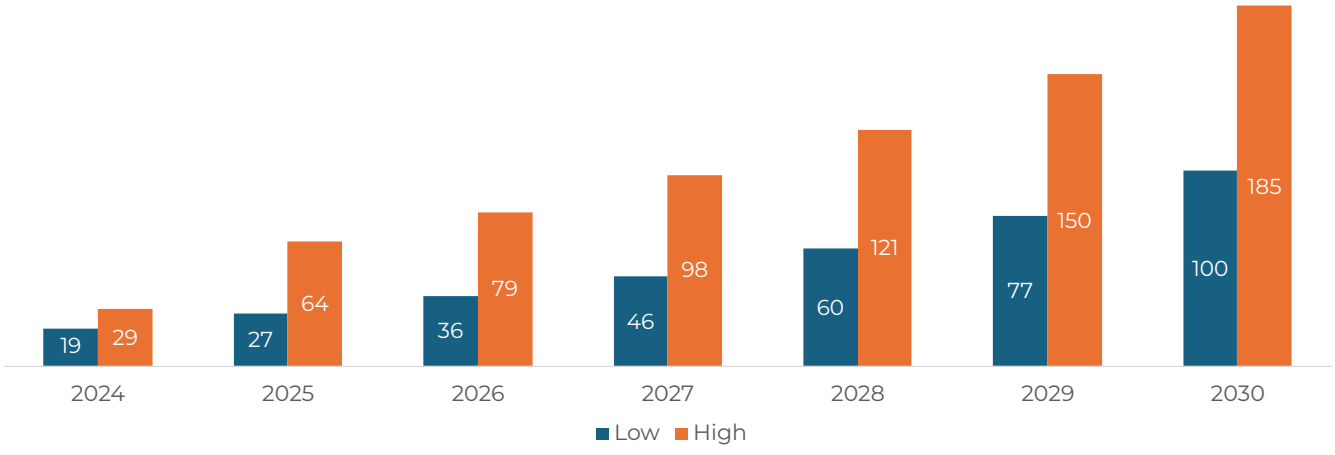
AI Related Data Centers (GW)



Source: Deloitte

EV Charging

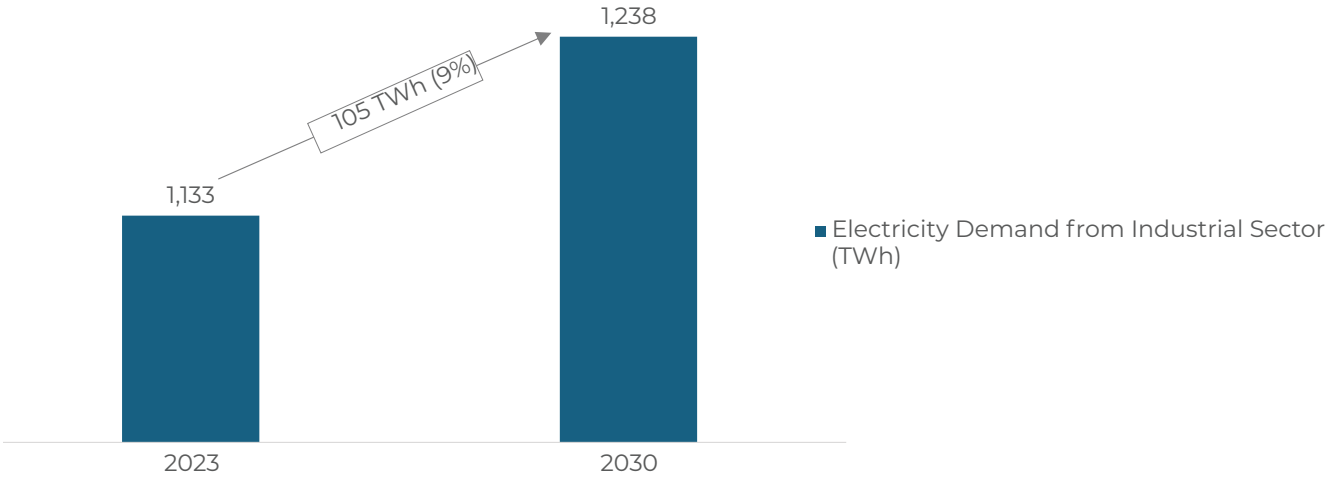
Forecast Electricity Demand from EV Charging (TWh/Year)



Note: This is the electricity demand from passenger EVs
Source: Rabobank

Industrial Sector

Electricity Demand from Industrial Sector (TWh)

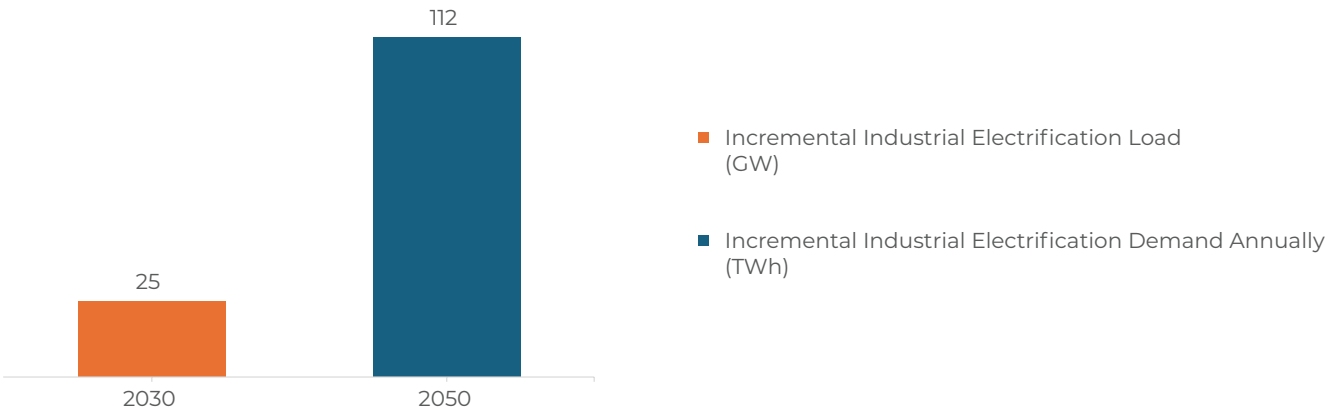


Note: Incremental industrial electricity demand (TWh) - Forecasted net increase in total industrial sector electricity consumption by 2030 (includes electrification, reshoring, efficiency, and structural effects).

Sources: Rystad Energy, American Public Power Association (APPA)

Electrification of Industrial Processes

Demand from Electrification of Industrial Processes

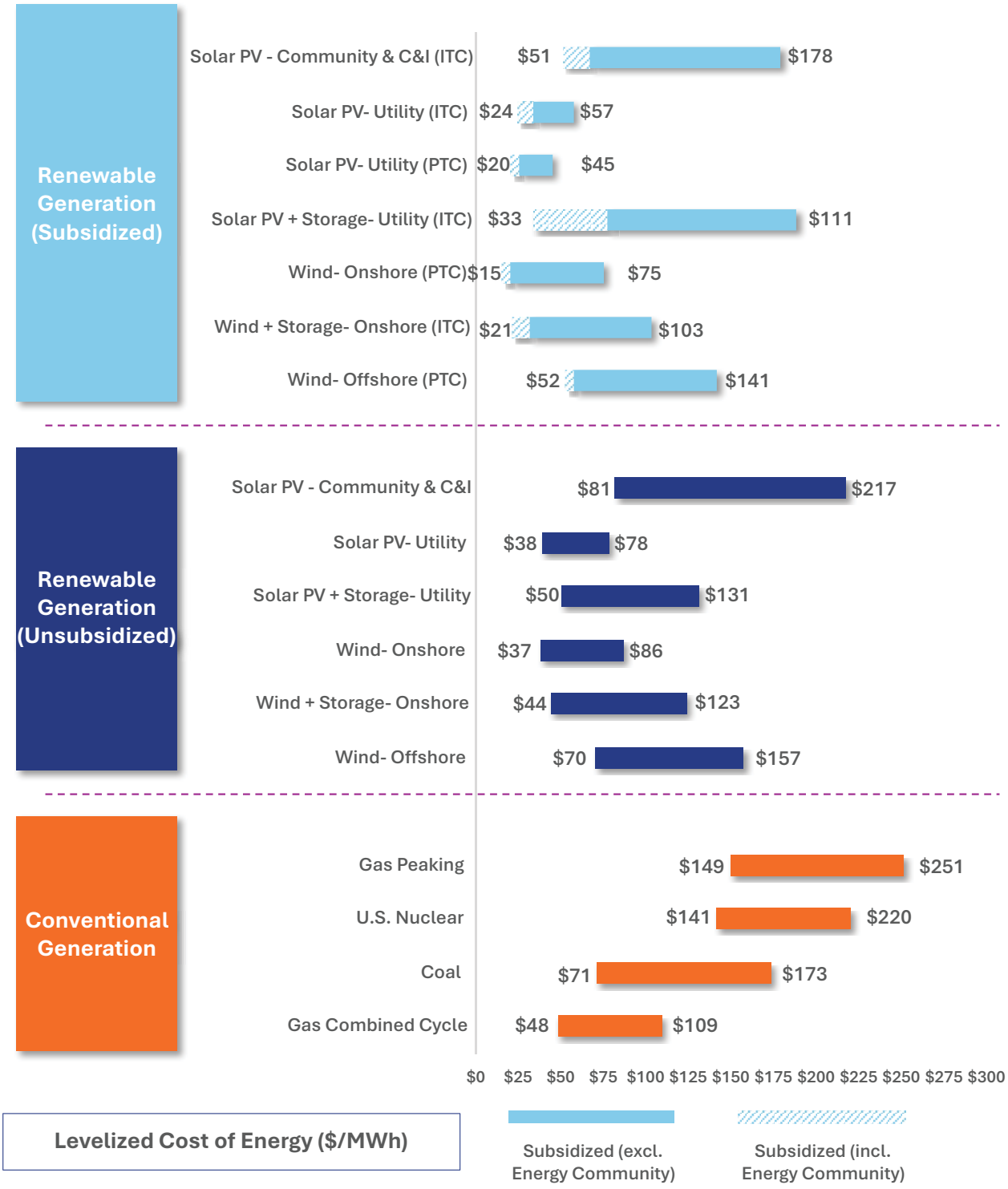


Note: Incremental industrial electrification load (GW) - Capacity/peak-load increment attributed to industrial electrification/reshoring (additional sustained industrial demand).

Incremental industrial electrification (TWh) - Long-run scenario increase in electricity consumption attributable to industrial electrification under NREL's high-electrification pathways.

Sources: Deloitte, National Renewable Energy Laboratory (NREL)

LCOE for Solar, Wind and Hybrid Generation/Storage



Source: Lazard 2025 LCOE+ Report

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SOLAR PV

ONSHORE WIND

BATTERY STORAGE

SUSTAINABLE TRANSPORT

POWER TRANSMISSION

We have successfully closed 87 transactions, representing over US$5.0 billion in total transaction value. We have a proven track record in M&A advisory and capital raising, with a particular focus on the clean energy and infrastructure.

M&A and Strategic Advisory

Mergers, Acquisitions and Divestitures, Joint Ventures and Valuations

43 Transactions

$1.6 Bn Value

Project Finance and Debt advisory

Project Finance, Corporate Debt and Restructurings

25 Transactions

$1.5 Bn Value

Capital Advisory

Mezzanine Debt and Equity Capital

12 Transactions

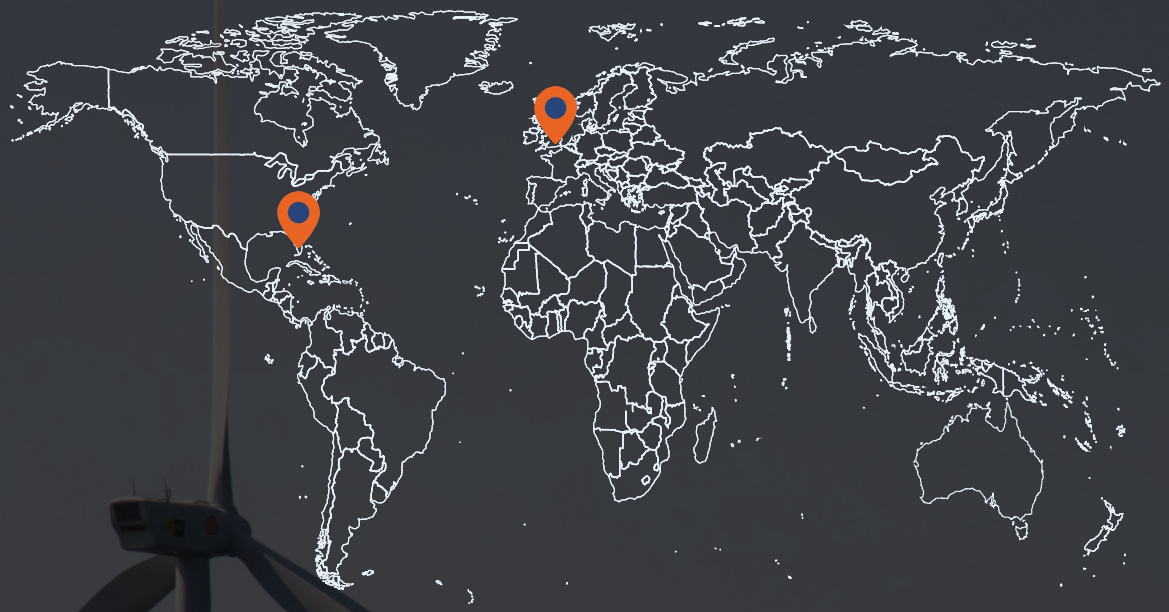
$1.0 Bn Value

Capital placement

Capital Placement Services for Sponsors and Highly Differentiated Fund Managers

7 Transactions

$0.8 Bn Value



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