OUTLOOK FOR THE US SOLAR SECTOR PART 2

The Trump Administration has taken multiple steps to firmly entrench changes to federal energy, trade and industrial policy. These changes have had a significant impact on the outlook for US energy markets. The US federal government has aggressively moved away from the previous subsidy-led model that stimulated private sector development of renewable energy generation assets.

The recent passage of the "One Big Beautiful Bill" along with other recent Presidential Executive Orders, have narrowed, amended and repealed tax credits and other supportive policies for new solar and wind development. This represents a significant shift in policy for renewable energy developers and has a potentially significant impact on the supply of energy in the US. We believe this will be positive for existing operational renewable energy assets which will benefit from constrained supply at a time of escalating demand as this should, all things being equal, lead to higher energy prices for existing renewable generation assets.

IMPLEMENTATION OF THE "UNLEASHING AMERICAN ENERGY" AGENDA

On January 20, 2025[1], President Trump set out overarching objectives for US federal energy policy in an Executive Order titled "Unleashing American Energy" (the "Energy Order"). Amongst other objectives, the Energy Order stated an intent to support and prioritize the development and use of oil, natural gas, coal, hydropower, biofuels and nuclear energy resources over other alternatives (including wind and solar). The Trump Administration has principally used three levers to implement and entrench this agenda: (i) federal energy policy, (ii) renewable energy incentives, and (iii) federal trade policy (tariffs). The broad implications of this agenda will be a slow-down in total US power installations over the short and medium-term due to private sector investment in renewable energy projects reducing (when compared to prior forecasts) and the time it will take for replacement energy generation projects to be initiated. Market forecasts show significant load growth and increasing costs to develop new power infrastructure over the same period, with the likely result being materially higher power price forecasts over the next decade when compared to forecasts made prior to the changes in federal policy[2].

RENEWABLE ENERGY INCENTIVES:

On July 4, 2025, the tax reconciliation and reform bill informally known as the One Big Beautiful Bill Act ("OBBB"), was enacted, representing the most significant step to date to roll back many of the clean energy incentives and renewable energy credits extended and implemented under the Inflation Reduction Act in 2022 (the "IRA"). The most impactful changes included: (i) an accelerated phase-out of tax credits for new wind and solar projects, limiting credit availability to wind and solar projects that commence construction by 4 July 2026 or are placed in-service by 31 December 2027, (ii) solidifying the phaseout for tax credits for other eligible technologies to 2033 removing a prior linkage to the achievement of certain US carbon emission reduction goals, (iii) adding the Foreign Entity of Concern ("FEOC") requirements, namely restricting the participation by Chinese-backed entities or inputs in US projects, for tax credit eligibility for projects commencing construction after 31 December 2025, and (iv) cancellation of tax credits and federal incentives available for electric vehicles.

[1] White House, "Unleashing American Energy", 20 January 2025 (Unleashing American Energy – The White House)
[2] Energy Innovation, "Updated: Economic Impacts of U.S. "One Beautiful Bill Act" Energy Provisions", 1 July 2025 (Updated: Economic Impacts Of U.S. "One Big Beautiful Bill Act" Energy Provisions • Energy Innovation); Wood Mackenzie, "One big, seismic shift in US energy policy", July 2025.

On July 7, 2025, an executive order titled "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources"[3] (the "Safe Harbor Order") was issued which directed a review of existing "start of construction" rules relevant to triggering tax credit eligibility. Subsequently, on August 15, 2025, US Treasury issued a new guidance note in response to the Safe Harbor Order, which narrowed tax credit eligibility by largely removing the "Five Percent Safe Harbor" rule, which was one of the two approved pathways to eligibility for future solar and wind projects[4]. The remaining pathway, the "Physical Work Test" is well-known by the renewable energy industry, however is a less certain test based on project-specific facts and circumstances to demonstrate the start of construction for tax credit purposes rather than the more objective costs-based test provided by the Five Percent Safe Harbor rule, introducing some additional uncertainty for developers and their financing partners[5]. While there was some concern that the US Treasury would also move to shorten the existing 4-year safe harbor period to complete construction[6], this aspect was left unchanged.

The Safe Harbor Order also directed the US Department of the Interior ("DOI") to remove any "preferential treatment for wind and solar facilities compared with dispatchable energy sources"[7]. This directive was implemented by a departmental order on July 15, 2025[8]. As a result, new wind and solar projects now face longer and less certain federal approvals processes. Where DOI approval is required, these projects are now subject to additional discretionary reviews by both the Secretary and Deputy Secretary – authority that was previously delegated to department staff[9]. While only a subset of solar and wind projects will be affected, principally those sited on federal land managed by the DOI, the impact is likely material given that the DOI through several federal agencies manages roughly 420 million acres of federal land – approximately 18% of total US land area[10]. Additionally, federal land managed by the DOI is mostly in the western US[11], a region that includes some of the county's strongest solar resources. For example, the DOI controls 67% of land in Nevada[12], which is the sixth largest US state in terms of solar deployment[13]. The Governor of Nevada has recently indicated that renewable energy development within the state has been "frozen" since these changes were made to DOI's decision-making processes[14].

The most significant impact from the enactment of OBBB combined with the potential effects of the Safe Harbor Order is a substantial shortening of the availability of tax credits for new solar (and wind) assets, with tax credits largely not available for solar projects that commence

[3] White House, "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources", 7 July 2025 (Ending Market Distorting Subsidies for Unreliable, Foreign-Controlled Energy Sources – The White House)
[4] US Internal Revenue Service, Notice 2025-42, 15 August 2025 (Sections 45Y and 48E Beginning of Construction Notice)
[5] Norton Rose Fulbright, "New Construction-Start Rules for Wind and Solar", 15 August 2025 (New Construction-Start Rules for Wind and Solar | Norton Rose Fulbright - August 2025)
[6] Norton Rose Fulbright, "Effects of "One Big Beautiful Bill" on Projects", 7 July 2025 (Effects Of "One Big Beautiful Bill" On Projects | Norton Rose Fulbright - July 2025)
[7] White House, "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources", 7 July 2025 (Ending Market Distorting Subsidies for Unreliable, Foreign-Controlled Energy Sources – The White House)
[8] US Department of the Interior, "Departmental Review Procedures for Decisions, Actions, Consultations, and Other Undertakings related to Wind and Solar Energy Facilities", 15 July 2025 (Departmental Review Procedures for Decisions, Actions, Consultations, and Other Undertakings Related to Wind and Solar Energy Facilities)
[9] US Department of the Interior, "Interior Ends Preferential Treatment for Unreliable, Subsidy-Dependent Wind and Solar Energy", 17 July 2025 (Interior Ends Preferential Treatment for Unreliable, Subsidy-Dependent Wind and Solar Energy | U.S. Department of the Interior); New York Times, "Suddenly, the Trump Administration Tightens the Vise on Wind Farms", 7 August 2025 (Wind and Solar Projects Stall as Trump Cracks Down on Renewables - The New York Times)
[10] US Department for the Interior (S. 434 | U.S. Department of the Interior)
[11] US Congress, "Federal Land Ownership: Overview and Data" (https://www.congress.gov/crs-product/R42346)
[12] Utility Dive, "NV Energy seeks FERC approval to give wind, solar developers free exit from interconnection queue", 19 August 2025 (https://www.utilitydive.com/news/nv-energy-ferc-wind-solar-interconnection-queue/757994/)
[13] Solar Energy Industries Association, "Nevada Solar State Overview" as of 20 August 2025 (Nevada – SEIA)
[14] E&E News, "Interior's restrictions have 'frozen' Nevada solar projects", 6 August 2025 (Interior's restrictions have 'frozen' Nevada solar projects, Republican governor tells Burgum - E&E News by POLITICO)

construction after July 4, 2026, versus December 31, 2032 at the earliest under the previous IRA-supported regime.

FEDERAL ENERGY POLICY:

Amongst the more than 190 executive orders issued by the Trump Administration through August 2025[15], several are specifically targeted at implementing the Energy Order. Two orders of note were issued on April 8, 2025 titled "Protecting American Energy from State Overreach"[16] (the "State Order") and "Strengthening the Reliability and Security of the United States Electric Grid"[17] (the "Grid Order").

The State Order instructed the US Attorney General to challenge and stop enforcement of state laws and regulations that conflict with the objectives of the Energy Order. While some market analysts view this as attempting to challenge state-level renewable energy mandates and renewable portfolio standards ("RPS"), initial targets of the State Order have been very niche state programs. It is worth noting that on several previous occasions when the legality of RPS mandates have been challenged in federal courts, courts have held RPS programs to be a valid exercise of state jurisdiction[18].

The Grid Order instructed the US Department of Energy ("DOE") to expedite processes to issue discretionary orders under the Federal Power Act that can require existing electric generation resources to continue operating to protect grid stability, which has to date been used to keep coal plants operating that were otherwise scheduled for retirement[19]. A recent study concluded that the Grid Order could result in additional costs to US electricity consumers of over $3 billion per year if all large fossil power plants scheduled to retire by the end of 2028 are mandated by DOE to be kept operating beyond planned retirement dates[20].

While the State Order and Grid Order have not resulted in material changes in energy markets to date, they have the potential to materially affect US power projects in future[21] and provide examples of the nature and scope of actions the Federal Administration is taking to implement the objectives of the Energy Order.

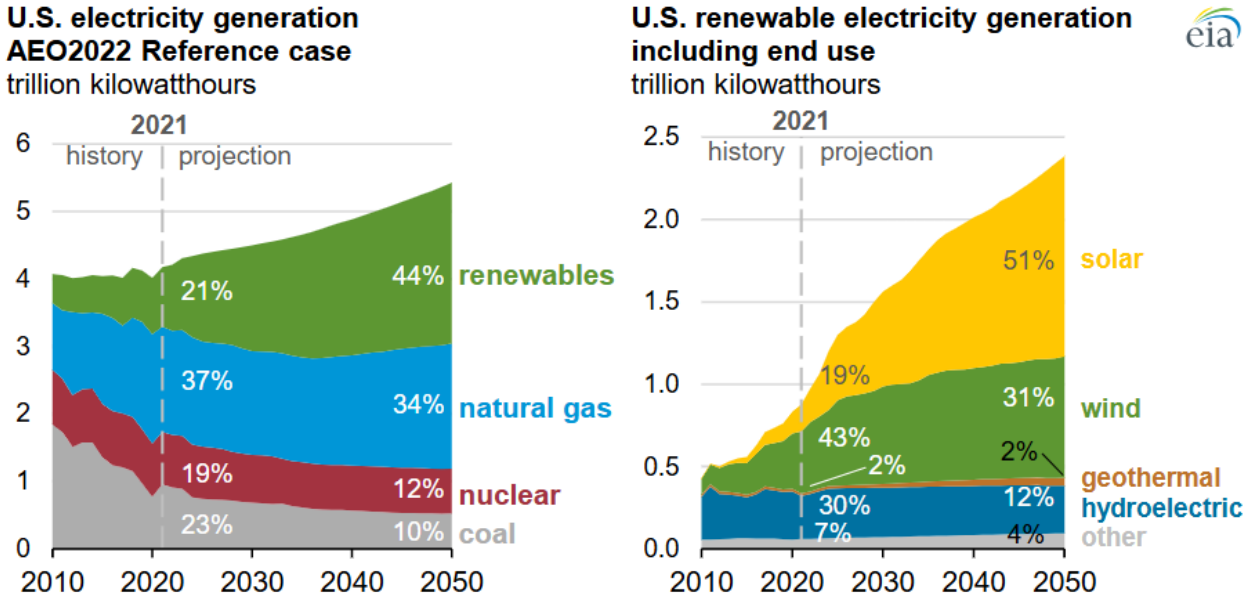
IMMINENT SUPPLY AND DEMAND IMBALANCE

Utility resource planning documents and market analysts continue to forecast strong electric load growth over the next decade. This is principally driven by anticipated significant investment in data center capacity to support domestic artificial intelligence activities. Additional growth is expected to come from investment in domestic manufacturing capacity (albeit at comparatively lower levels than projected during the Biden Administration[22]) and from electrification of transportation (electric vehicles) and building heating. Load growth forecasts in the first half of

[15] https://www.whitehouse.gov/presidential-actions/executive-orders/
[16] White House, "Protecting American Energy from State Overreach", 8 April 2025 (Protecting American Energy From State Overreach – The White House)
[17] White House, "Strengthening the Reliability and Security of the United States Electric Grid", 8 April 2025 (Strengthening the Reliability and Security of the United States Electric Grid – The White House)
[18] Norton Rose Fulbright, "More Trump Executive Orders", 13 April 2025 (More Trump Executive Orders | Norton Rose Fulbright - April 2025)
[19] Sidley Austin, "DOE blocks shutdown of coal-fired power plant", 13 June 2025 (Department of Energy Blocks Shutdown of Coal-Fired Power Plant and Oil- and Gas-Fired Generator Units With Federal Emergency Orders | Environmental and Energy Brief)
[20] Grid Strategies, "The Cost of Federal Mandates to Retain Fossil-Burning Power Plants", August 2025 (grid-strategies_cost-of-federal-mandates-to-retain-fossil-burning-power-plants.pdf)
[21] Norton Rose Fulbright, "More Trump Executive Orders", 13 April 2025 (More Trump Executive Orders | Norton Rose Fulbright - April 2025)
[22] E2, "Businesses cancel $1.4bn in new factories, energy projects in May", 23 June 2025 (Businesses Cancel $1.4 Billion In New Factories, Energy Projects in May as Congress Pushes Forward on Tax Increases | E2)

2025 continue to point to significant load growth over the coming 5-10 years. For example, the latest peak demand forecast from the Federal Energy Regulatory Commission projects US peak load to increase by 120GW over the 2024-2029 period (13% aggregate growth), versus its prior peak load growth forecast of a 39GW increase over the 2023-2028 period (5% aggregate growth).

The expectation of increased demand is nothing new. The chart below shows the expectation for US energy demand (and the constituent components of the generation fleet expected to meet that demand) in 2022.



Source: U.S. Energy Information Administration, *Annual Energy Outlook 2022* (AEO2022)
Note: Biofuels are both shown separately and are included in petroleum and other liquids.

At that time, and as recently as H1 2025, the vast majority of the generation growth was expected to come from renewables. The anticipated growth in renewables, by generation type as of 2022 is shown in the second chart above with over 50% coming from solar generation. These historic forecasts of growth in renewables have been realized. Over the last 12 months solar generation has grown by almost 30 GW with relatively small increases in other generation sources[23].

Net summer capacity of operating electricity generators by select fuel sources (gigawatts)

	June 2024	June 2025
Natural gas	506.6	508.4
Coal	175.1	172.4
Wind	150.2	154.8
Solar photovoltaic	104.9	134
Nuclear	96.8	98.4
Hydropower	79.8	79.9

Data source: *June 2024 capacity figures are from Monthly Energy Review Table 7.7a. June 2025 capacity figures come from the EIA-860M with data for June.*

[23] US Energy Information Administration, "Monthly Energy Review – June 2025" (Total Energy Monthly Data - EIA); Wood Mackenzie/SEIA US Solar Market Insight, Q2 2025 (Solar Market Insight Report Q2 2025 – SEIA)

Further to the passing of the OBBB market analysts have been working to estimate the impact of the loss of subsidies and other changes on the growth in renewable generation capacity and adjust their forecasts. Estimates recently released indicate that the accelerated phase-out of tax credits for wind and solar projects will result in a reduction in solar and wind installations of 100-300GW by 2035 [24].

The ability of other forms of generation to replace the forecasted supply coming from renewables is yet to be proven. The time to complete new generation, as measured from the submission of an interconnection queue application to the start of commercial operations has been steadily increasing over the past 15-years, with the median time to complete new generation projects being approximately 4.5-years for assets completed in 2023, versus approximately 3-years in 2015, and less than 2 years in 2008[25]. New generation projects that are initiated because of reduced renewable development would need to be accelerated versus prior completion timelines in order to meet demand growth over the coming years.

Analysis prepared by another specialist consultancy firm on the impacts of OBBB forecasts that reductions in installations of new renewable energy capacity will occur much faster than the ramp-up in new gas generation capacity to offset this, leaving the potential for meaningful supply constraints and upward pressure on energy prices. For example, this analysis forecasts that by 2030 new installations of wind and solar capacity will fall by approximately 100GW versus pre-OBBB forecasts, whereas there will be no observable increase in gas generation capacity due to equipment cost and supply chain limitations[26].

Gas generation capacity is very likely to be the most viable replacement for renewable generation. Major gas turbine manufacturers ("OEMs"), including companies such as GE Vernova, Siemens and Mitsubishi Power, are experiencing strong demand for their products, described by one major OEM as a "gold rush"[27], with North American orders for gas turbines increasing by 141% year-on-year in 2024[28]. However, the cost of installed gas turbines is expected to remain elevated[29], placing continued upward pressure on power prices. Major gas turbine OEMs remain sold out for many years with sales backlogs growing[30]. While all have plans to increase manufacturing capacity over the next few years, OEMs maintain a cautious approach to capacity expansion in order to maximize value capture through revenue and margin growth, without creating excess capacity through overinvestment[31]. Additionally, steel, copper and country-based tariffs implemented by the Trump Administration are all expected to further increase the cost of gas turbines in the US market, whether imported or manufactured domestically. For example, GE Vernova expects increased costs of $300 to $400 million in 2025 due to US tariffs[32].

[24] Energy Innovation, "Updated: Economic Impacts of U.S. "One Beautiful Bill Act" Energy Provisions", 1 July 2025 (Updated: Economic Impacts Of U.S. "One Big Beautiful Bill Act" Energy Provisions • Energy Innovation); Wood Mackenzie, "One big, seismic shift in US energy policy", July 2025; Bloomberg NEF, "Trump Slams the Brakes on US Wind and Solar Growth", 22 July 2025 (Trump Slams the Brakes on US Wind and Solar Growth | BloombergNEF).
[25] Lawrence Berkeley National Laboratory, "Queued Up: 2024 Edition", April 2024 (https://emp.lbl.gov/sites/default/files/2024-04/Queued%20Up%202024%20Edition_R2.pdf)
[26] Wood Mackenzie, "One big, seismic shift in US energy policy", July 2025
[27] Semafor, "Big turbine manufacturers aren't ready to bet on the boom", 12 May 2025 (Big gas turbine manufacturers aren't ready to bet on the AI boom | Semafor)
[28] Wood Mackenzie, "Turbocharged vs turbo lag", 9 May 2025
[29] Wood Mackenzie, "Turbocharged vs turbo lag", 9 May 2025
[30] GE Vernova, "2Q Financial Results", 23 July 2025
[31] Semafor, "Big turbine manufacturers aren't ready to bet on the boom", 12 May 2025 (Big gas turbine manufacturers aren't ready to bet on the AI boom | Semafor), GE Vernova, "2Q Financial Results", 23 July 2025
[32] GE Vernova, "2Q Financial Results", 23 July 2025

One market observer has forecast that the supply and demand imbalance could result in wholesale power prices increasing by up to 74% by 2035 versus the previous status quo[33], and a recent survey indicated that US wind and solar power purchase agreement ("PPA") prices have increased by 4% in the month since the enactment of OBBB, versus a 2% increase for solar in H1 2025[34].

VALUATION IMPLICATIONS FOR OPERATING RENEWABLE ASSETS

Long-range forecasts for energy prices generally come from specialist consultancy firms who use proprietary models that assimilate data and assumptions to create 30+ year views on electricity supply and demand dynamics across different markets and geographies. These forecasts are necessary because electricity markets are dominated by bilateral, private trades, meaning that pricing data from long-range products such as derivatives, that are commonly used in other commodity markets to indicate long-term price outlooks, are not publicly available in the electricity market. Specialist consultancy firms typically offer subscription-based services with periodic (semi-annual) forecast updates available only to their subscribers.

Key components of these proprietary forecast models include assumptions relating to the amount of new generation that will be built (supply) and the rate of growth in electricity demand by users on the same grid (demand). Significant changes in the outlook for either supply or demand can result in significant changes to the price forecasts issued by these specialist consultancy firms.

Given the timing of the enactment of OBBB and related energy policy changes, the H2 2025 forecasts provided by specialist consultancy firms are likely to be the first time that the full suite of changes resulting from the OBBB are translated into updated energy price forecasts.

PUBLIC MARKET PERFORMANCE IN H1 2025

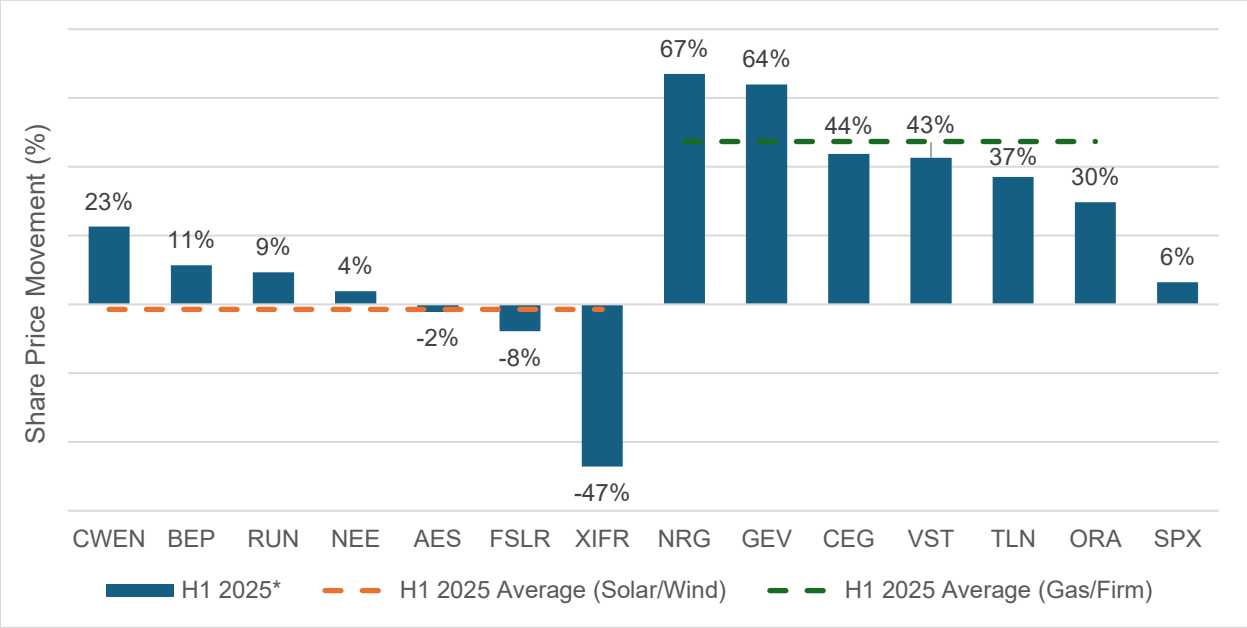
The trading performance of publicly listed electric generators and related energy companies was heavily influenced by the uncertainty and actions of the federal government during the period. Specifically, the announcement of country-specific tariffs on April 1, 2025, and the crystallization of tax reforms under the OBBB at the end of June 2025 (ultimately signed into law on 4 July 2025) appear to have had an impact on public companies.

On average the US renewables (solar and wind) infrastructure peer set performed in-line with the broader market (excluding XPLR Infrastructure, which faced company-specific challenges[35]), although performance did vary materially within that group. Companies with a greater focus on operational assets, such as Clearway and Brookfield Renewable Partners, performed above the market average, while companies more exposed to development such as FirstSolar and AES underperformed. Also noteworthy was that independent power producers with fleets oriented towards gas, nuclear and firm renewables (e.g. geothermal) substantially outperformed the market benchmark during the period, largely due to actual and forecast earnings growth driven by the concept of favorable demand dynamics and load growth. As noted above many valuations

[33] Energy Innovation, "Updated: Economic Impacts of U.S. "One Beautiful Bill Act" Energy Provisions", 1 July 2025 (Updated: Economic Impacts Of U.S. "One Big Beautiful Bill Act" Energy Provisions • Energy Innovation); Wood Mackenzie, "One big, seismic shift in US energy policy", July 2025; Bloomberg NEF, "Trump Slams the Brakes on US Wind and Solar Growth", 22 July 2025 (Trump Slams the Brakes on US Wind and Solar Growth | BloombergNEF).
[34] LevelTen Energy, "State of the US PPA Market", 13 August 2025 (Special Report: The First Clear Post-OBBBA Market Signal Is Here); LevelTen Energy, "North America PPA Price Index, Q2 2025", 24 July 2025 (LevelTen Energy North America PPA Price Index, Q2 2025).
[35] See XPLR Infrastructure, "Q4 2024 Press Release", 28 January 2025

will not yet include updated forecasts for future (post-OBBB) energy prices due to the frequency of updated forecasts.

Share price movement (%) for H1 2025*[36]



** **Note**: H1 2025 reflected above covers the period from 1 January 2025 through to 11 July 2025 to include the immediate (1 week) impact from the enactment of OBBB, which was signed into law on 4 July 2025.*

Share price ($/share)

Share Price ($/share)				
Company	**Ticker**	**Currency**	**31-Dec-24**	**11-Jul-25**
AES Corp.	AES	USD	$12.87	$12.59
Brookfield Renewable Partners	BEP	USD	$22.79	$25.37
Clearway Energy	CWEN	USD	$26.00	$31.87
FirstSolar	FSLR	USD	$176.24	$162.44
NextEra Energy	NEE	USD	$71.69	$74.40
Sunrun	RUN	USD	$9.25	$10.11
XPLR Infrastructure	XIFR	USD	$17.80	$9.41
Constellation Energy	CEG	USD	$223.71	$321.54
GE Vernova	GEV	USD	$328.93	$539.16

[36] Public market data as of 23 July 2025.

NRG Energy	NRG	USD	$90.22	$150.68
Ormat Technologies	ORA	USD	$67.72	$87.85
Talen Energy	TLN	USD	$201.47	$276.17
Vistra Energy	VST	USD	$137.87	$196.58
S&P 500 Index	**SPX**	**USD**	**5,881.63**	**6,259.75**

PRIVATE MARKET ACTIVITY IN H1 2025

For the first months of 2025, private market M&A activity was subdued and materially lower than the prior year[37] due, we believe, to significant uncertainty injected into the market by the incoming Trump Administration, including announcements relating to federal energy, industrial and trade policies (as discussed above). There has been an observable uptick in private market appetite for US renewable acquisitions during the second quarter of 2025 as greater visibility on changes to federal energy policy and renewable energy incentives emerged and tangible valuation differentials between public markets and private investors became apparent[38]. This has led to several renewable take-private transactions of note being announced during 2025 so far, which follow one of two themes (i) as a take-private of a renewable developer or development-exposed business under sustained market pressure, including TPG's acquisition of Altus Power and La Caisse's acquisition of Innergex Renewable Energy, and (ii) as a carve-out of a renewable energy business from a larger energy company looking to refocus on core operations, including LS Power's acquisitions of Algonquin Power's North American renewable energy business and BP's US onshore wind business, and Brookfield's acquisition of National Grid's US onshore renewables business[39].

While recent US renewable M&A activity has been focused on large-scale portfolios rather than single asset and smaller portfolio sales, it is expected that investor interest in operational assets will continue to strengthen given these assets are not exposed to tax credit phaseout under OBBB, are operationally de-risked, and are well-positioned to benefit from rising energy price forecasts[40].

SECTOR OUTLOOK

The first half of 2025 has seen significant and widespread changes made to federal energy policy and incentives available to the development of new wind and solar resources, which will cause a meaningful reduction in installations over at least the next decade and create heightened uncertainty for new development activity for some time to come. While this creates a challenging outlook for development and construction of new solar assets, in contrast it does result in a potentially improved outlook for existing, operational solar assets which stand to benefit from increasing power price forecasts resulting from expected increases in the cost of new capacity additions, regardless of fuel type, and strong demand from data center growth and other electrification initiatives.

[37] CRC IB, "Quarterly Considerations Q1 2025", 14 April 2025 (Quarterly Considerations Q1 2025 | CRC-IB)
[38] Bloomberg, "Battered clean energy a focus as tariffs spur take-private push", 9 April 2025 (via Battered Clean Energy a Focus as Tariffs Spur Take-Private)
[39] Deloitte, "US Energy Quarterly Update – Q1 2025", April 2025 (Energy M&A Update: Q1 2025 | Deloitte US Corporate Finance); EY, "US M&A Activity Insights: July 2025", 18 June 2025 (M&A activity insights: July 2025 | EY - US)
[40] CRC IB, "Quarterly Considerations Q2 2025", 24 July 2025 (Quarterly Considerations – Q2 2025: OBBB Edition | CRC-IB)

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