

## Energy finance in 2026: Trends in capital markets

Every January, the project finance law team at Norton Rose Fulbright (NRF) brings together bankers and infrastructure investment experts to discuss trends across the American energy and infrastructure finance landscape. Their annual Cost of Capital outlook is a deep well of information that allows our team to support our state and local government clients. Last year, we summarized the takeaways we believed were worth policymakers' attention. This year, we will do the same—but we will be drawing from more sources.

Last month, Norton Rose Fulbright also published another interview specifically about the state of the renewable energy industry: "Racing To Meet Electricity Demand." It accounts how energy financial professionals are growing apprehensive about the landscape for financing solar, wind, and storage. At the same time, Crux released its 2025 Third Quarter tax credit pricing update—which illustrated a precipitous drop in the price of investment tax credits—and Nat Bullard of Halcyon released his 2025 presentation on the state of decarbonization. The combination of these releases gives us a fairly detailed picture of the state of solar and wind energy investment in the United States.

There's also news coming out of the public sector that's worth juxtaposing against private investment trends. The Minnesota Climate Innovation Finance Authority's (MnCIFA) survey of solar developers in the state suggests a "K-shaped" trajectory for the solar industry: The large solar developers remain the big fish in a shrinking pond while smaller ones working on smaller projects lose out. A lawsuit by the Connecticut Green Bank (CTGB) against PosiGen, a rooftop solar and distributed energy resource provider that filed for bankruptcy in November, for the recovery of a loan, sheds some light on this process. The twist is that CTGB is really accusing PosiGen's main creditor, Brookfield, the private credit firm, for extending senior credit in order to strip PosiGen of its assets before it entered bankruptcy—stiffing its other creditors, CTGB included. We are yet to see how this lawsuit plays out, but CTGB's claim lends some heft to claims of a K-shaped trajectory for renewable energy as private investors Hoover up whatever pipelines they have easy access to. Indeed, there's ample evidence from the private sector that mergers and acquisitions (M&A) activity in the power sector is skyrocketing.

Last summer, when the One Big Beautiful Bill (OB3A) passed, we argued that the country was headed toward "One big, beautiful blackout." We stressed that the law is "creating incentives for underinvestment." The data available—to say nothing of the incredible policy uncertainty caused by fluctuations in tariffs, bond markets, offshore wind permitting, and extremely delayed "foreign entity of concern" rules—suggests that our hypothesis certainly has not been proven wrong.

**Section I** will summarize takeaways from the Cost of Capital webinar, complemented by additional sector-specific context and visualizations of financing conditions. **Section II** will describe how developers and investors are dealing with policy uncertainty and a tightening financial landscape, juxtaposing trends in renewable energy project finance against broader

macro conditions, the market for gas power, and a drive for consolidation in the power sector. **Section III** will explain how these dynamics are affecting public sector-led clean energy finance initiatives. **Section IV** will conclude with a summary of takeaways and a discussion of the opportunities public agencies have to intervene in and stabilize a shaky market for renewable energy projects.

## Table of contents

<b>I. The cost of capital</b>	<b>3</b>
A. Key takeaways	3
B. Benchmark financing terms	5
<b>II. Policy uncertainty and tighter financing conditions</b>	<b>9</b>
A. FEOC, permitting, interconnection, and policy uncertainty	9
B. Tax credit rollbacks and project bankability	10
C. Market and policy trends	12
D. Batteries	12
E. Natural gas	13
F. Power sector M&A	14
<b>III. Challenges facing the public sector</b>	<b>16</b>
A. The New York Power Authority	16
B. Minnesota's solar energy landscape	16
C. The Connecticut Green Bank, PosiGen, and Brookfield	19
<b>IV. Takeaways and opportunities</b>	<b>21</b>
<b>V. References</b>	<b>23</b>

## Table of figures

Figure 1.1. Spreads on various pre-NTP loan facilities.	6
Figure 1.2. Debt service coverage ratios for various project types.	7
Figure 1.3. Term loan spreads over SOFR.	8
Figure 2.1. 2025 ITC demand: supply balance and weighted average.	11
Figure 2.2. U.S. triples gas power plans to meet data center demand.	14
Figure 2.3. M&A, on a tear.	15
Figure 3.1. MnCIFA survey overview.	17
Figure 3.2. MnCIFA survey respondent feedback.	18
Figure 3.3. Financing and support requests for MnCIFA.	19

## I. The cost of capital

For its 2026 Cost of Capital panel, Norton Rose Fulbright brought back four leading energy bankers to discuss how deal financing is changing for their energy and infrastructure portfolios.<sup>1</sup> Moderated by NRF partner and energy finance expert Keith Martin, the panel featured Bank of America's Jack Cargas, JPMorgan's Rubiao Song, Apterra Infrastructure Capital's Ralph Cho, and MUFG's Beth Waters. This section will first summarize their key takeaways and then provide visualizations of their assumptions of benchmark financing conditions in the sector.

While their perspectives are not authoritative, their birds-eye view of tax credit deal flow makes their judgments worth highlighting. Where necessary, this report will clarify the broader context around their takeaways.

### A. Key takeaways

**Energy project finance hit record highs in 2025.** Project finance bank debt hit a record \$260 billion in 2025, covering about 500 deals. Year-on-year lending volume, measured in dollars, jumped 41 percent. Cho, of Apterra, which is a subsidiary of the private credit giant Apollo, quipped: "Any banker who was not busy may be in the wrong profession."<sup>2</sup> But he warned that "human capital was short," suggesting—as with previous years—that banks have limited capacity for smaller, less lucrative deals and for working with new or unfamiliar project sponsors.

**There are many new market participants, but they focus less on renewables.** Apterra's Cho confirmed that real estate lenders, asset-backed security (ABS) lenders, private credit funds, and "banks that I had never heard of" have all jumped into the market—but that most of these new participants focus more on financing LNG and "digital assets" (data center-related projects) rather than renewables, which is already a competitive sector for lenders. The new investors are going where the deal flows and the fees are most lucrative.

**Liquidity is deep, but not deep enough.** Cho noted that, despite how frothy the lending markets were, it is still a challenge for his firm and for others to buy funded loans and participate in syndicated loan structures: "Our team was looking to buy funded loans at the end of last year, and we found it very difficult to get any meaningful amount of paper in the secondary market." Even though investors raised over \$289 billion last year for closed-end infrastructure funds—the asset class's biggest year ever—competition for deal flow seems to have complicated investors' ability to put that cash to work.<sup>3</sup>

---

<sup>1</sup> Martin (2026a).

<sup>2</sup> Looking back at their outlooks last year, it's worth noting that Cho predicted exactly this: "[In 2025], the market will go for broke. We should see not just the typical deals, but a return of LNG, data centers and new gas-fired power financings all come to market simultaneously this year. People are going to have to work around the clock to get the paper out." See: Arun (2025b).

<sup>3</sup> Infrastructure Investor (2026).

**Project finance is not getting cheaper.** Despite Federal Reserve interest rate cuts, MUFG's Waters noted that the 20-year swap rate, used for project finance transactions, is not falling below 4 percent, suggesting that "reductions in the federal funds rate are not translating into similar reductions in long-term borrowing rates."

**The tax equity market is getting more complex as banks engineer more and more bespoke and project-specific transactions.** Sale-leasebacks are returning to the market, hybrid tax equity-transfer structures still dominate the market, and new "proportional amortization" accounting methods at banks like JPMorgan change how much tax equity benefits flow to investors. BofA's Cargas compared the market to an ice cream shop: "There used to be something close to a vanilla tax equity structure. To use an ice cream analogy, it feels like there are now 31 different flavors. Thirty one is an exaggeration, but the point is there are many bespoke features being added to these transactions." While the tax equity market may be less healthy, as discussed later, investors clearly remain enthusiastic about continuing to make it work for them.

**Offshore wind finance is dead in the water, for now.** Waters stated flat-out that "the banks are not open for financing offshore wind." Any offshore wind deals are sleeping with the fishes, so to speak.

**Gas power project finance volumes are larger than they've ever been.** Cho says he "even saw a \$1 billion greenfield combined-cycle gas-fired power project close." And gas plants that are already operating but need refinancing are seeing lots of interest in the B-loan market for subordinate debt. The numbers are striking, but the momentum has been building for the past two years.

**There seems to be no pipeline of clean hydrogen tax credits.** Both BofA's Cargas and JPMorgan's Song stated that they underwrote no 45V clean hydrogen tax credit deals last year. (While some ammonia projects continue to be announced, the sharp cuts to federal support for clean hydrogen pilots, including two of the Hydrogen Hubs, worsening project economics, and delays in tax credit rulemaking suggest that most of the hydrogen boom remains hot air.<sup>4</sup>)

**The market is taking a "wait and see" approach to as-yet-unreleased Foreign Entity of Concern (FEOC) rules.** BofA's Cargas reiterated the importance of clear regulation but stressed that he did not want to see all the risks of FEOC compliance foisted onto developers and project sponsors: "It may be simple to say the risk can be pushed to the sponsor, but it will be much better for our sponsors if we can all have a clearer view of what that risk is." But Waters noted that it has been challenging to help solar developers find FEOC-compliant panels.

**Hyperscaler involvement in energy markets could change the tax equity landscape.** Commenting on Google's recent acquisition of Intersect Power, NRF's Martin suggested that

---

<sup>4</sup> See: (1) Occidental Petroleum (2025), (2) Bradstock (2025), (3) Kaufman (2025), (4) Spector (2025b).

Google has a large enough volume of annual tax liabilities to directly claim tax credits earned by Intersect.

## B. Benchmark financing terms

Cho and Waters provided additional context into the benchmark financing terms that energy project finance deals receive during their underwriting process. Waters reiterated often that spreads on most products have not changed much since last year. But she and Cho gave some useful new context into what average lending terms look like.

Cho covered trends in equipment financing for projects before they start construction—or before their “notice to proceed” (NTP).<sup>5</sup> Pre-NTP facilities are loans advanced against a very early-stage development pipeline. Borrowing-base loans are advanced against projects that have secured power purchase agreements and interconnection rights, close to starting construction. Mainstream pre-NTP loans are sized against predicted cash flows from operating and construction assets. And there is also a third kind of “pre-NTP facility” that is not often on the market. The cost of this facility is higher, priced at “equity-replacement” rates, and “the challenge with this type of loan is that if the developer is unable to advance the assets, the lender would have to figure out how to liquidate the portfolio.” (See [Figure 11](#).)

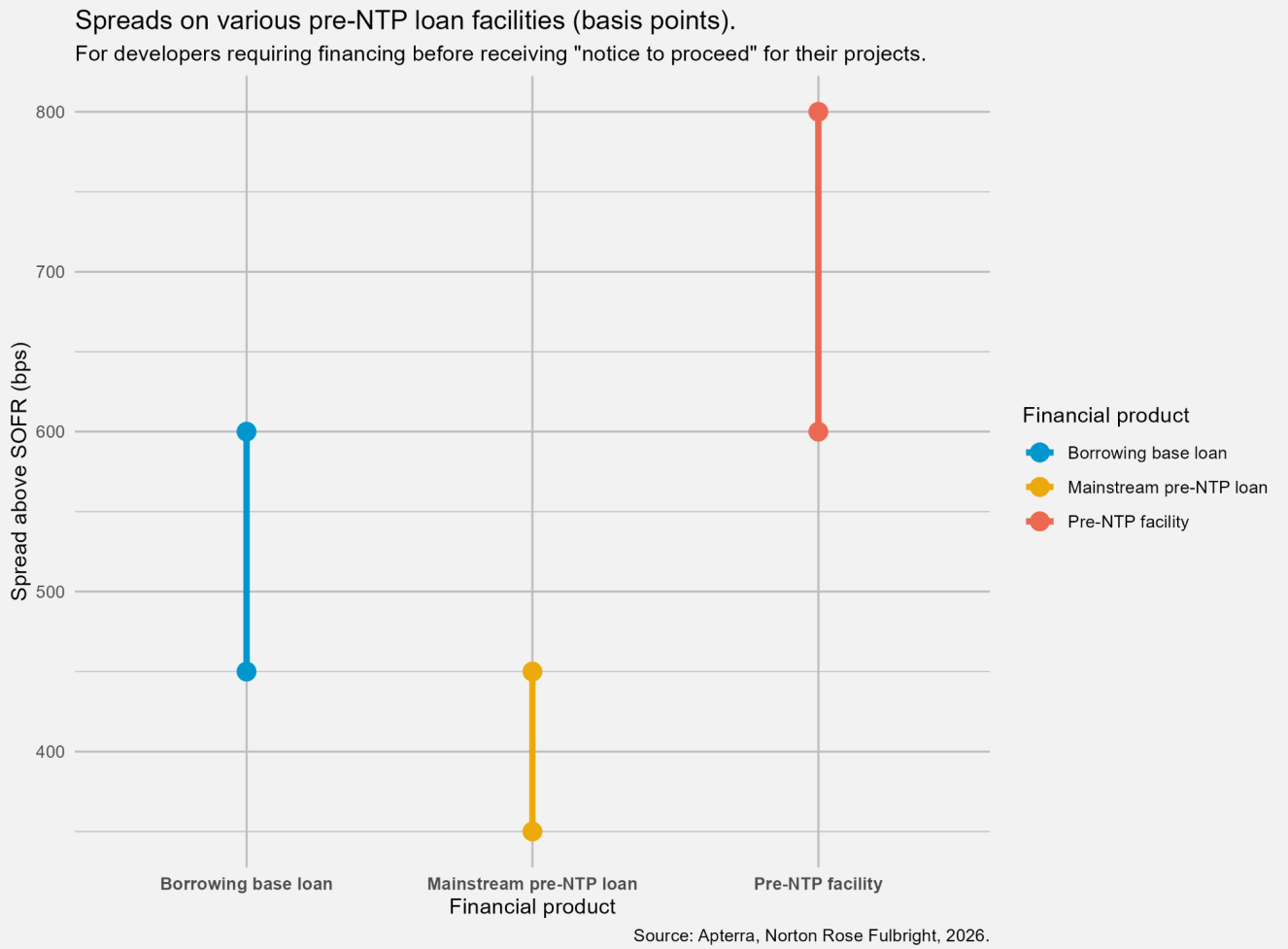
Waters provided her sense of “middle-of-the-road” debt service coverage ratios (DSCRs) for contracted and uncontracted solar, wind, and storage projects. **It’s clear that lenders really shy away from merchant exposure, regardless of whether or not developers might seek it out.** She also emphasized that competition among lenders for data center deals has driven DSCRs to incredible lows. (See [Figure 1.2](#).)

Cho joked that “Financing for merchant batteries in ERCOT is essentially on life support,” noting that merchant exposure on any renewable or storage projects higher than 30 percent was not financially viable. Waters backed him up with figures to suggest that **term loans become more expensive in proportion to a project’s share of merchant revenue streams.** (See [Figure 1.3](#).)

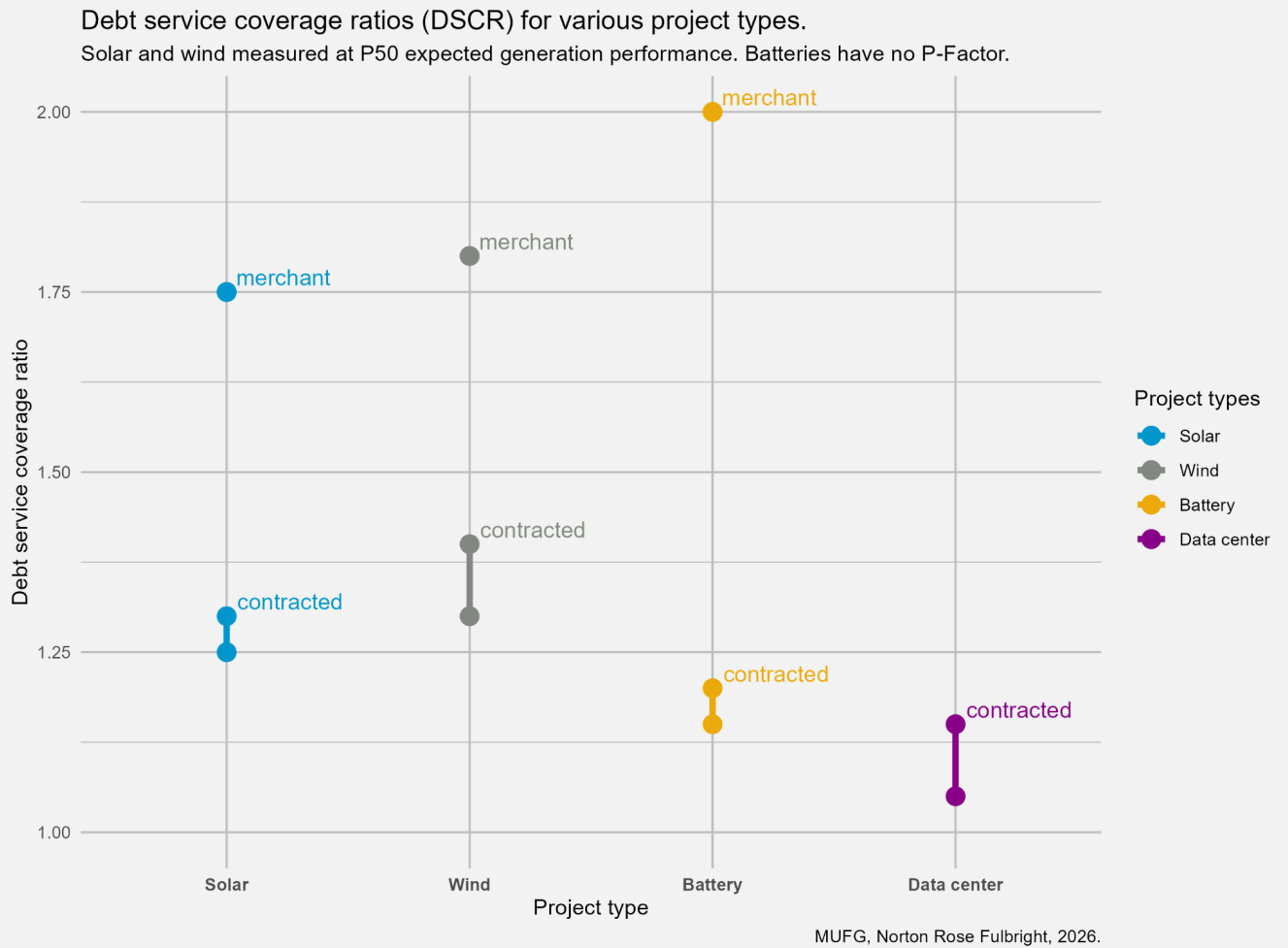
Overall, though, in comparison to last year, Cho observed that spreads are tightening somewhat due to lender competition for deal exposure.

---

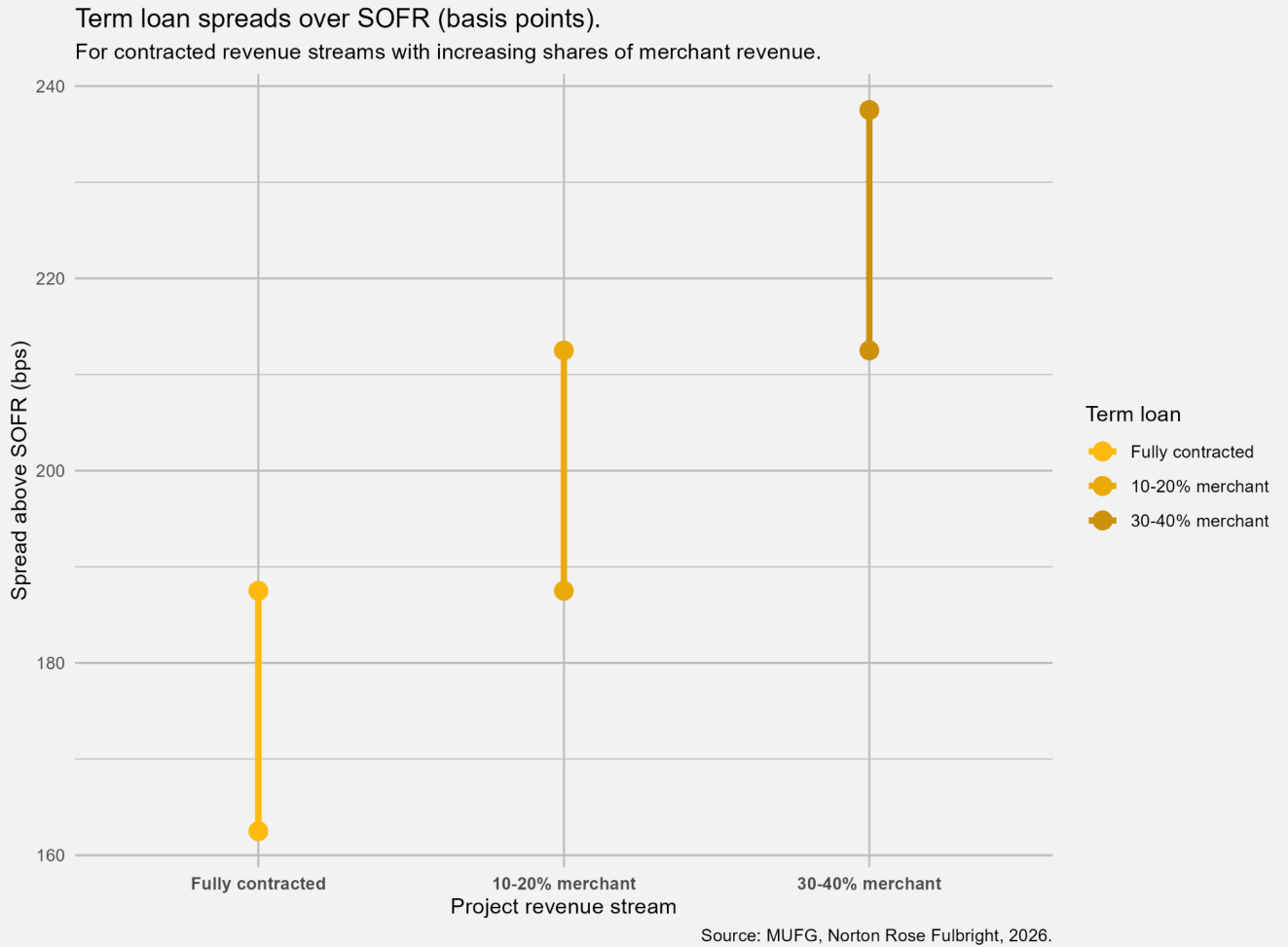
<sup>5</sup>Crux Climate (2026).



**Figure 11.** Spreads on various pre-NTP loan facilities.



**Figure 1.2.** Debt service coverage ratios for various project types.



**Figure 1.3.** Term loan spreads over SOFR.

## II. Policy uncertainty and tighter financing conditions

NRF’s “Racing To Meet Electricity Demand” panel provided lots of color on the state of the industry from leading developers and project sponsors.<sup>6</sup> In summary: Parts of the market remain in a state of federally enforced uncertainty, smaller developers and projects that have not yet secured interconnection rights are going to fall by the wayside, and investors are taking a shorter-term view of what projects they’re willing to capitalize. **The market for deals might be booming and spreads might be compressed, but, as per this panel, the deal quality seems to be deteriorating.**

This section will use the takeaways from this panel as framing for understanding how broader macroeconomic and power sector-specific conditions are affecting renewable energy project development. The subsections are broken up by general topic area. (Unless noted otherwise in the footnotes, all quotes are from “Racing To Meet Electricity Demand.”)

### A. FEOC, permitting, interconnection, and policy uncertainty

The most surprising takeaway from the panel is that **none of the panelists seemed too worried about the OB3A’s foreign entity of concern (FEOC) provisions that may impose considerable regulatory burden on securing tax credits in the future.** Even though the Treasury and IRS have not yet released substantive guidance, throwing considerable uncertainty into the process, developers and investors still seem to be hiring compliance capacity, sourcing more from U.S.-based vendors, and checking their exposure to Chinese supply chains before they proceed with projects, all well in advance of the rulemaking. Crux’s surveys of developers and investors also confirm that due diligence is proceeding apace well in advance of Treasury guidance; those surveys also suggest that we may soon see an standardization of FEOC certification, attestation, and ownership verification registries across the industry.<sup>7</sup>

While it helps that the “Material Assistance Cost Ratio” framework has already been somewhat clarified by the IRS’s domestic content guidance from August 2024, this guidance applies only for solar, onshore wind, and battery projects and could change when updated to reflect FEOC restrictions rather than domestic content recommendations.<sup>8</sup> So it remains to be seen whether this industry-driven approach will be successful once FEOC provisions are clarified, but it’s clear that **developers are rolling their sleeves up and proceeding with investment despite the uncertainty.**

Other forms of policy uncertainty seem more pressing. Sandhya Ganapathy, CEO of EDP Renewables North America, bluntly stated the challenge of building new onshore wind power: The “mitigation agreements” signed with the Department of Defense “are just not coming. We continue to see delays. We continue to wait.” While the industry’s large players continue to add to

---

<sup>6</sup> Martin (2026b).

<sup>7</sup> Crux Climate (2025b).

<sup>8</sup> Burton (2025).

their pipeline, uncertainty looms: “The problem is not just the continuous barrage of new executive orders, but also the lack of instructions to federal agencies about how to deal with industry requests.” **Key offices within the federal government refuse to provide policy certainty to developers, delaying necessary and bankable projects.**

Himanshu Saxena, CEO of Lotus Infrastructure Partners, mentioned that “there are some projects that are not ready now and will be delayed not a year or two, but six or seven years because of interconnection issues.” **This is how private developers see the delays imposed by the interconnection process: not merely a procedural irritation, but, for all intents and purposes, a knife to a project’s viability.**

Saxena’s investment firm will sometimes pay to preserve projects’ place in the queue if those projects are able to start construction before the July tax credit deadline. Lotus Infrastructure Partners might be willing to pay a few hundred thousand dollars to preserve land rights—but “if it requires millions of dollars, that is the capital that no one is providing in this market.” In his opinion, **investors’ tolerance for project completion uncertainty is falling.**

## **B. Tax credit rollbacks and project bankability**

Saxena described the existence of a “K-shaped” market for renewables. “Developers have accelerated work on the good projects in their portfolios to ensure the projects are under construction by July 4 this year to lock in federal tax credits for projects that cannot be completed by the end of 2027.” But he stressed that projects that lack interconnection rights are effectively worthless right now. Smaller developers with less cash on hand are most in danger of getting caught on the wrong side of this divide: “Smaller developers that have to put up a lot of capital to preserve interconnection rights or order solar panels, transformers or turbines are hurting. Liquidity is drying up for them. We think it is going to become a tale of two cities over the next few months.” **The sharp pullbacks in tax credit eligibility have decimated the ability of small developers to develop projects on their own; it would not be surprising if more go bankrupt or see their project pipelines get acquired by larger firms.**<sup>9</sup>

The participants all agree that solar, wind, and storage are the only near-term solutions to the U.S. energy crisis in the absence of near-term gas or nuclear buildout. But Saxena summarizes their pessimism: “Electricity customers are willing to pay higher prices for power, but not enough to make up for the loss of tax credits. Despite the rising power demand and rising power prices, these projects still are barely making it.” Given the trend toward industry consolidation in the face of extremely high electricity demand—discussed later in this paper—CPE believes that developers and project sponsors have more market power than they let on in quotes like these. Some credit analysts think that the rush to build renewables today masks the longer-term

---

<sup>9</sup> NextEra CEO John Ketchum was already tuned into this dynamic last summer: “We know we compete against a lot of really small developers who don’t have the balance sheet, the construction financing to do things around safe harbor. ... If we do see some small developers kind of fall away, there’ll be more projects that could potentially hit the market and come up for sale.” See: Zeitlin (2025).

shortage in the rate of renewables buildout after 2027, cementing the market power of those with the resources to build without a tax credit.<sup>10</sup> **The imminent loss of tax credits across the renewable energy pipeline will have longer-term bankability impacts for the sector.**



**Figure 2.1.** 2025 ITC demand: supply balance and weighted average. See: Crux Climate (2025a).

**Even the projects that are still claiming tax credits over the past few months are seeing a much worse financing landscape:** Crux has reported not just a sharp fall in investment tax credit pricing, but an oversupply of credits in the face of lackluster buyer demand.<sup>11</sup> (See **Figure 2.1**.) Prices dropped under 90 cents on the dollar for the first time in over a year. And whether market activity was “sluggish” or whether corporate investors were “reassessing” their market exposure, it’s clear that the tax credit market is once again becoming a buyers’ market,

<sup>10</sup> Alloway and Weisenthal (2026).

<sup>11</sup> Crux (2025a).

disadvantageous to developers. While Crux expects a slight pickup in Q4 (between now and April) as the tax year ends, the company is not hugely optimistic: “interest in ITCs is about 20% what it was in the fourth quarter last year. Crux has seen prices holding steady at historically low levels for both ITCs and PTCs.” JPMorgan’s Song concurred that “there is a noticeable imbalance in the ITC market that will probably get worse this year and put downward pressure on the price tax credit buyers are willing to pay for ITCs.”<sup>12</sup>

### C. Market and policy trends

Nat Bullard’s annual presentation on decarbonization trends provides the widest view of the clean energy and manufacturing sectors.<sup>13</sup> Here are some stylized facts from his roundup. Project cancellations and pauses are now the norm across the U.S. clean energy supply chain. And the pipeline of clean power projects under development and construction seems to be stalling at 186 GW. Solar module prices have, technically, fallen slightly—but tariff and labor costs have pushed the installation cost of solar up. (Keep in mind that these installation costs are far higher than elsewhere in the world.) On the bright side, more and more utility-scale battery storage projects are being connected into the U.S. transmission grid, to reduce congestion and increase capacity. More worryingly, power transformer prices are at record highs—and the production backlog is not likely to ease up anytime soon.<sup>14</sup> **And, at least in the near-term, the data center boom still provides a tailwind to clean energy—although CPE has already highlighted some of the risks of this dependence.**<sup>15</sup>

But Kevin Smith, CEO of Arevon, highlights that uncertain federal permitting will start impacting energy prices and the health of the grid: “The effects of the [federal permit] delays should start to become more pronounced in the last six months of 2026. By 2027, the gap between electricity supply and demand will have widened further, causing electricity prices to increase further.” The recent NERC reliability report confirms that this gap poses serious risks to near-term grid health.<sup>16</sup> And it does not help that the Department of Energy continues to cancel loans, guarantees, and grants worth billions of dollars originally obligated to large-scale transmission and battery projects that increase grid capacity, support grid reliability, and firm up intermittent renewable resources by reducing curtailment.<sup>17</sup> **This supply-demand gap is enforced by policy.**

### D. Batteries

**Batteries look poised to grow substantially more important across the country, but some worries remain.** 2025 was already a record year for battery storage installations in the U.S., thanks to batteries’ ability to support data center demand as well as alleviate grid congestion and

---

<sup>12</sup> Martin (2025a).

<sup>13</sup> Bullard (2026). The stylized facts in this paragraph are drawn from slides 29, 34, 83, 84, 97, 108, and 136.

<sup>14</sup> Patel (2026).

<sup>15</sup> Arun (2025a).

<sup>16</sup> Walton (2026).

<sup>17</sup> See: (1) DiGangi (2026) and (2) “All Biden-Era LPO Projects” (2026).

limit renewables curtailment.<sup>18</sup> The past months have even seen a few high-profile announcements of automakers shifting from producing EV batteries to producing grid storage batteries.<sup>19</sup> But some clean energy analysts expect the sector's revenue to start falling and battery project cancellations to pick up as rising costs cut into developers' margins.<sup>20</sup> And some lawyers remain unsure about the sector's ultimate FEOC exposure.<sup>21</sup>

## E. Natural gas

Stepping outside the renewable energy space for purposes of comparison: Gas turbine prices continue to skyrocket, reaching as much as \$2400 per kilowatt for a combined-cycle turbine from just \$800/KW in 2022.<sup>22</sup> The natural gas turbine shortage has only gotten worse thanks to extreme demand from data centers and hyperscalers.<sup>23</sup> Latitude Media had a great story on why the even Texas Energy Fund, juiced to the gills with \$10 billion in loan authority, could not catalyze much new gas power investment.<sup>24</sup> Ascend Analytics managing director Brett Nelson told Latitude that the Texas Energy Fund “just created cheap loans for projects that were already being developed ... to say that it's [supporting] new development just isn't true.” **Rising gas turbine prices ruined many projects' bankability.**

And, despite the huge rise in planned gas projects—252 GW in the queue, an amount that, if completed, would double the size of the U.S. gas fleet—it is unclear how many of them will even start construction in the near-term.<sup>25</sup> (See **Figure 2.2**.) Two-thirds of those announced projects have not identified a turbine manufacturer.<sup>26</sup> (Halcyon, which tracks the gas plants that have made it to utility planning queues, puts the queue at 85 GW.<sup>27</sup>) And from a different NRF panel last year on gas power financing: “The labor shortage is a serious constraint on the amount of new gas-fired power plants that can be built over the next decade, assuming the demand remains.”<sup>28</sup> **Gas deals appear popular and lucrative, but rising costs, labor shortages, and the turbine backlog will almost certainly make any near-term gas power buildout a privilege accorded for the most part to hyperscalers.**

---

<sup>18</sup> See: (1) DiGangi (2025), (2) Spector (2025a), and (3) Martucci (2025).

<sup>19</sup> See: (1) Avila (2025) and (2) Walz (2025).

<sup>20</sup> Skok (2025).

<sup>21</sup> Morrison (2025).

<sup>22</sup> Infrastructure Investor (2025).

<sup>23</sup> Arun (2025d).

<sup>24</sup> Allsup (2025).

<sup>25</sup> Martos (2026).

<sup>26</sup> *ibid.*

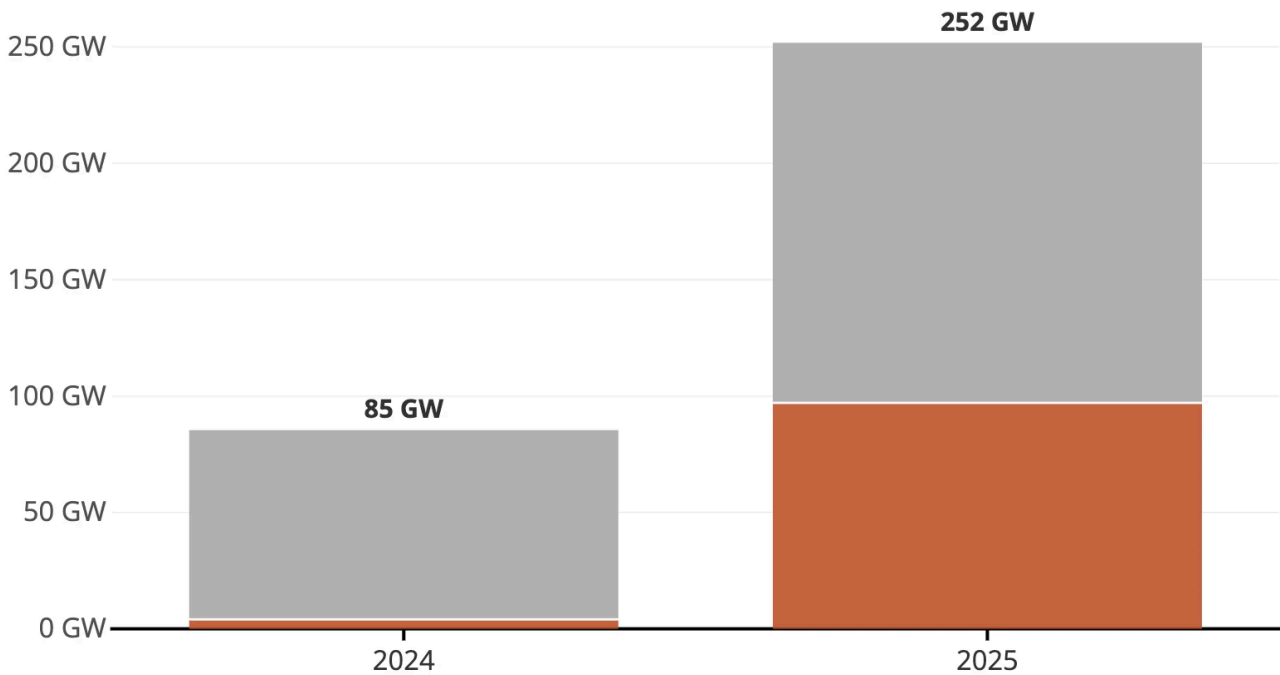
<sup>27</sup> Bullard (2026). See slides 86 and 87.

<sup>28</sup> Burton and Martin (2025).

## U.S. triples gas power plans to meet data center demand

Gas-fired capacity announced, in pre-construction and construction phases, in gigawatts (GW)

■ On-site for data centers ■ All other



Source: Global Energy Monitor, Global Oil and Gas Plant Tracker, H2 2025



**Figure 2.2.** U.S. triples gas power plans to meet data center demand. See: Martos (2026).

### F. Power sector M&A

Thanks to those hyperscalers, the sheer scale of energy demand in the U.S. has pushed mergers and acquisitions in the power sector above \$50 billion in 2025 alone.<sup>29</sup> (See **Figure 2.3**.) The \$27 billion Constellation–Calpine merger, now approved, has created the largest power company in U.S. history.<sup>30</sup> Mergers like these are not inherently surprising, given the financing landscape. The option value of having generation capacity to spare is immense. But this is another reason why tax credit prices are falling and smaller developers are getting left by the wayside: **The developers that can move the quickest to build out their pipeline and capitalize on record**

<sup>29</sup> Bullard (2026). Slide 89.

<sup>30</sup> Proctor (2026).

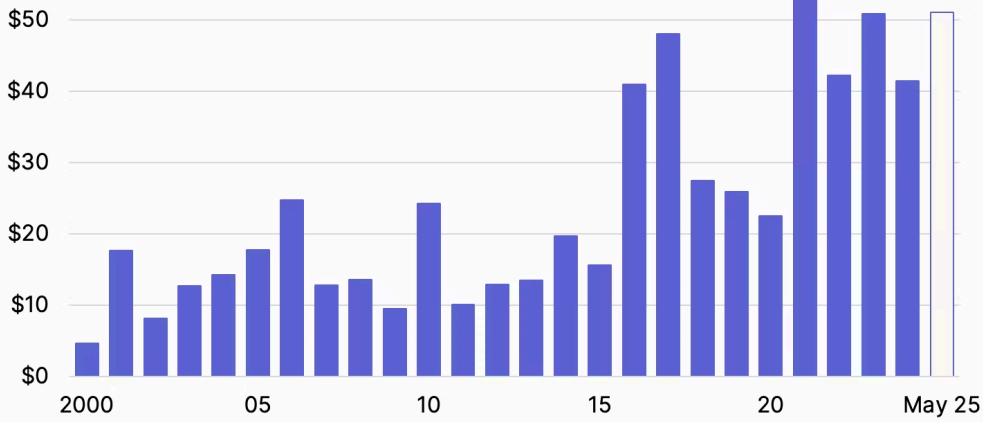
**energy demand are going to be the ones with piles of cash and creditworthy customers, like hyperscalers.**

Recent acquisitions in the solar installation supply chain also hint at that same conclusion—although, in this case, Nexttracker’s acquisition of Origami Solar also had to do with securing access to U.S.-made, FEOC-compliant solar panel frames.<sup>31</sup>

## M&A, on a tear

US power generation mergers and acquisitions are running hot

\$60 billion of US power generation M&A



Source: Bloomberg

Note: Data through May 12, 2025

January 2026

89



**Figure 2.3.** M&A, on a tear. See: Bullard (2026).

<sup>31</sup> Giacobone (2025).

### III. Challenges facing the public sector

This section will highlight some renewable energy financing challenges facing public entities, including state green banks and public energy developers, in light of the financing conditions discussed above. The following subsections will focus on the New York Power Authority's renewables pipeline, the Minnesota solar energy market, and the Connecticut Green Bank's lawsuit against now-bankrupt rooftop solar company PosiGen and its main creditor—Brookfield.

#### A. The New York Power Authority

The New York Power Authority's 5.5 GW pipeline of solar, battery, and wind projects is the country's largest pipeline of publicly developed power projects, almost all of which are utility-scale. NYPA's strategic plan, which previously listed 7 GW worth of planned projects, seems to have shrunk for the same reasons that private developers are on the ropes: **More expensive construction financing, higher input costs, changing tax credit compliance rules, permitting and interconnection queue delays and uncertainty, and investor skittishness.**<sup>32</sup>

NYPA leadership confirmed that “no projects were removed by our own decision but by the developers that own the projects,” suggesting that some of the private developers NYPA is contracting with to co-develop its pipeline ended up receiving more lucrative cash offers from other investors interested in laying claim to shovel-ready projects as soon as possible.<sup>33</sup> Compared to a cash-rich developer or private investor, NYPA likely could not move as quickly on its portfolio due to the time it takes to raise debt. NYISO projections that the state could see over 2.6 GW of large load added to the grid by 2035 lend credence to the argument that private investors are cutting into NYPA's pipeline to maximize their option value.<sup>34</sup>

#### B. Minnesota's solar energy landscape

NYPA is the only public power entity building renewables at a scale comparable to private developers. But many state energy finance institutions are involved in supporting and financing the development of distributed energy and rooftop solar and storage systems, particularly across multifamily homes and public buildings like schools. And they, too, are feeling the crunch. In an October board meeting, the Minnesota Climate Innovation and Finance Authority (MnCIFA) reported results of a survey it conducted with solar developers working across the state, asking those developers how financing and investment conditions had changed.<sup>35</sup> **The results paint a negative picture sharply at odds with claims that the OB3A continues to support all forms of clean energy over the next decade.**

---

<sup>32</sup> Williams (2025).

<sup>33</sup> Bitterman (2025).

<sup>34</sup> New York Independent System Operator (2026).

<sup>35</sup> Bhattacharya (2025).

**Respondents agreed that larger developers would pull away from smaller developers, especially as they all compete for FEOC-compliant equipment, driving up the final costs of all projects.**<sup>36</sup> Many complained about losing their order book, losing federal Greenhouse Gas Reduction Fund money, and facing more expensive financing—for both tax credits and construction finance. This pessimism makes evident the K-shape of the renewable energy sector. (See **Figures 3.1** and **3.2**.)

## Overview of Request for Information on Tax Credit Changes

- **Purpose:**
  - Understand the challenges facing the renewable energy industry and consumers with the changes in the tax credits
  - Develop outreach and financing solutions based on responses
- **Response:**
  - 14 Respondents including: 9 solar developers, 1 ESCO, 2 municipalities, 1 utility, and 1 non-profit
- **TLDR Summary:**
  - Larger developers will be able to continue executing projects at a higher cost to the end customer
  - Smaller developers and non-profits serving underserved communities will/are struggling
  - Supply chain is still rationalizing with potential intense competition for FEOC compliant equipment

**Figure 3.1.** MnCIFA survey overview. See: *Bhattacharya (2025)*.

<sup>36</sup> *ibid.*

## Challenges Facing the MN Renewable Energy Community

Area	Feedback
Financing and ITC	<ul style="list-style-type: none"> <li>• Losing 50% book of business + layoffs</li> <li>• Relying on Solar for All Money</li> <li>• Been able to find financing at higher rates</li> <li>• Tax credit changes on top of grant cancellations have stopped projects from moving forward</li> </ul>
FEOC	<ul style="list-style-type: none"> <li>• Expect cost increases and significant equipment price variance</li> <li>• Scarcity of qualifying components will create procurement bottlenecks.</li> <li>• Pipeline are being scrubbed and shrinking, with necessary contingency plans</li> <li>• Lack of trust in newer manufacturers of domestic panel manufacturers</li> <li>• Costs will rise for projects as developers compete for a smaller pool of eligible panels, inverters, and storage systems</li> </ul>
Industry Outlook	<ul style="list-style-type: none"> <li>• Short term assistance might prevent solar from figuring out how to be profitable without the tax credits</li> <li>• For efficiency projects, will need to diversify technologies and integrate storage, geothermal, other</li> </ul>

**Figure 3.2.** MnCIFA survey respondent feedback. See: *Bhattacharya (2025)*.

Many of the respondents had suggestions for how MnCIFA could support them through these challenges—chiefly through low-interest and flexible construction financing and procurement finance facilities for FEOC-compliant inputs.<sup>37</sup> Other companies and developers outside the survey respondent pool also seem to have asked for similar kinds of support. Public entities have a clear stabilizing role to play in these supply chains otherwise shot through with uncertainty. (See [Figure 3.3](#).)

<sup>37</sup> *ibid.*

## Requests for MnCIFA

Requests	Opportunities and Challenges for MnCIFA
Expand access to <b>low-interest and flexible financing</b> for developers access tax credits and cover higher costs of FEOC compliant materials	<ul style="list-style-type: none"> <li>• Will not be able to make up full cost of FEOC or tax credit with interest rate</li> <li>• Limited funds to support every project</li> <li>• Need to prioritize disadvantaged communities</li> </ul>
<b>Support purchases of equipment</b> to meet safe harbor/ avoid FEOC <ul style="list-style-type: none"> <li>• Bridge loans for developers to purchase compliant equipment</li> <li>• Procure equipment directly</li> <li>• Bulk purchasing options by NGOs, such as CDFI's</li> </ul>	<ul style="list-style-type: none"> <li>• Need to determine if MnCIFA can buy and hold equipment</li> <li>• Developer and other companies have approached about safe harbor facility</li> <li>• Welcome NGO and CDFI safe harbor facilities</li> </ul>

22

**Figure 3.3.** Financing and support requests for MnCIFA. See: Bhattacharya (2025).

### C. The Connecticut Green Bank, PosiGen, and Brookfield

The final public sector-side update stitches all these trends together: The Connecticut Green Bank (CTGB) is suing rooftop solar leasing company PosiGen.<sup>38</sup> PosiGen filed for bankruptcy in fall 2025, citing liquidity strain and a deteriorating market.<sup>39</sup> It allegedly entered bankruptcy proceedings to prevent its senior lender, Brookfield, from unilaterally seizing its assets as collateral. CTGB, which loaned PosiGen \$60 million since 2019 and worked with PosiGen to install solar on rooftops across the state, is technically subordinated to Brookfield's \$600 million loan to Posigen, and is suing PosiGen to ensure it gets repaid around \$22 million in outstanding loan volume.

CTGB not only claims that Brookfield engineered PosiGen's initial default in the fall, but provided PosiGen with an exigent bridge loan during its bankruptcy proceedings in order to buy them time to strip the company's solar assets prior to it entering bankruptcy.<sup>40</sup> CTGB claimed that

<sup>38</sup> Fitch (2026).

<sup>39</sup> Kennedy (2025).

<sup>40</sup> Matsuda (2025).

Brookfield engineered a “fraudulent transfer of PosiGen’s assets to Brookfield at a time when PosiGen was insolvent. And CTGB wrote in its amended lawsuit in December that “Brookfield, having learned of PosiGen PBC’s troubling business practices and financial distress, determined that it would use the Bridge Loan to keep PosiGen and the other Operating Companies alive long enough so that Brookfield could strip all the value out of the companies, abandon remaining employees and customers and leave nothing left for anyone else.” Brookfield argues that its bridge loan helped wind down the company in an orderly manner and disputes CTGB’s claim on PosiGen’s assets.

This is a very serious accusation that Brookfield purposely bankrupted PosiGen to acquire its assets. PosiGen has a national portfolio and its platform was a compelling jumping-off-point for virtual power plant programs. **PosiGen’s bankruptcy and the uncertainties inherent in which companies will pick up its assets and warranties will slow down local adoption of innovative grid-edge uses of rooftop solar.** It is possible that PosiGen’s contracts in other cities and states have also been transferred to Brookfield or a third-party. And the other unfortunate aspect of this story is that the PosiGen executive who secured Brookfield as a creditor was a former executive at CTGB and Inclusive Prosperity Capital, a nonprofit that works very closely with CTGB to arrange financing for CTGB’s portfolio. The precise role this executive played is not yet clear.

This bankruptcy is proceeding in a financing landscape decidedly unfriendly toward rooftop solar. CTGB’s pool of rooftop solar vendors, like MnCIFA’s, is falling on hard times and, in this case, CTGB’s lead vendor was also indebted to Brookfield, a leading infrastructure investor with significant financial interests in the higher-return, utility-scale side of the renewable energy sector.<sup>41</sup> As the option value of owning utility-scale solar energy deployment capacity increases and as the bankability of rooftop solar deployment falls, it is not out of the question to suspect that Brookfield’s management believed that PosiGen’s assets might be more profitably deployed elsewhere. **While the outcome of this case and the nature of Brookfield’s involvement are still uncertain, PosiGen’s bankruptcy is among the most recent stress fractures in the renewable energy financing landscape.**

---

<sup>41</sup> Brookfield Renewable Partners (2026).

## IV. Takeaways and opportunities

Everyone seems to agree that the renewable energy sector is a K-shaped market: on the one hand, optimistic growth prospects in the near-term for the largest and most cash-rich developers and investors which can capitalize off of immense energy demand and incredible investor interest juxtaposed against, on the other, shrinking margins and tighter financing conditions for the smaller and less liquid developers and community financial institutions competing for similar pools of labor, FEOC-compliant equipment, and interconnection queue access. **As the bigger developers buy up the pipelines of the smaller developers, as M&A in the sector only accelerates, and as power prices only trend upward, policymakers should be concerned that industry concentration, especially once tax credits start phasing out, will strain electricity affordability even further for ratepayers.**

**Federal policy uncertainty also continues to gum up the works and constrain the total size of the market for all players, large and small.** But it seems implausible to build gas and nuclear energy in the near-term under the status quo—whereas there are tons of solar and storage projects sitting “on the margin” that could still get built in the near-term with short-term capital infusions. Investors, competing for deal flow, are champing at the bit for deals where their exigent capital injections could push projects over the finish line, particularly in high-demand power markets. But given that many projects “on the margin” might sit on the pipelines of developers that simply can’t move as fast as the leading private players—or sit in markets with less hyperscaler interest—more policy support is necessary to stabilize the sector’s investment pathways across the whole country.

**This is an opportunity for state and local policymakers, particularly those in worse markets, to get creative.**<sup>42</sup> There are lots of ways that state energy financing institutions can stabilize projects—from loan financing to equity financing to the outright purchase of projects. Revolving loan fund structures can provide exigent, flexible, and fixed-rate construction finance to projects locked out of private financial support. Equity investment structures can compensate for developers now facing the sudden loss of a tax credit; developers might face slightly lower returns, but their project might still get completed. CPE has been modeling this framework and finds it both plausible and feasible to implement. And, in the manner of NYPA, public agencies can also purchase less bankable projects from struggling private developers outright. State energy finance institutions and public utilities commissions can also continue to support the public procurement of clean energy—particularly the procurement of battery storage, grid-edge capacity, and virtual power plants—to ensure that there is offtake demand for these resources.<sup>43</sup> With creative financial tools, states can mitigate the impact of the federal government’s withdrawal and generate returns for the taxpayer in doing so in the form of more stable prices and a more resilient grid.<sup>44</sup>

---

<sup>42</sup> Feygin and Arun (2025).

<sup>43</sup> Feygin and Lala (2025).

<sup>44</sup> Arun (2025c).

**State energy financing institutions can also create procurement finance facilities to help smaller developers and investors access FEOC-compliant components.** Creating a state warehouse to buy standardized inputs in bulk helps insulate individual small developers from having to compete against large private firms, particularly for scarce components; these cooperative purchase and “warehousing” structures are already how some states in the Northeast procure heating oil and fuels, and how Climate United intended to mobilize investment into electric trucks for independent drivers working at the Port of Long Beach.<sup>45</sup>

These financial structures require capital, of course. But for policymakers that care about preserving and stabilizing pathways for clean energy investment, particularly in solar, wind, and batteries, upfront capital is just the price of doing business.

---

<sup>45</sup> See: (1) Feygin (2025) and (2) St. John (2024).

## V. References

- “2025 Power Trends: The New York ISO Annual Grid and Markets Report.” 2026. New York Independent System Operator, January.  
<https://www.nyiso.com/documents/20142/2223020/2025-Power-Trends.pdf>.
- “All Biden-Era LPO Projects.” 2026. Airtable. January.  
<https://airtable.com/appvSXNEWvJyXcxc2/shrl9Audl0tBeDleY/tblYoLVq4T3237ySC>.
- Alloway, Tracy, and Joe Weisenthal. 2026. “The Utilities Analyst Who Says the Data Center Demand Story Doesn’t Add Up.” Bloomberg News, February 2.  
<https://www.bloomberg.com/news/articles/2026-02-02/are-we-building-more-ai-datacenters-than-we-need>.
- Allsup, Maeve. 2025. “How the Data Center Boom Brought Down the Texas Energy Fund.” *Latitude Media*, November 10.  
<https://www.latitudemedia.com/news/how-the-data-center-boom-brought-down-the-texas-energy-fund/>.
- Arun, Advait. 2025a. “Bubble or Nothing.” *Center for Public Enterprise*, November 12.  
<https://publicenterprise.org/report/bubble-or-nothing/>.
- Arun, Advait. 2025b. “Energy Finance Trends in 2024: What Are the Experts Saying?” *Center for Public Enterprise*, February 3.  
<https://publicenterprise.org/energy-finance-trends-in-2024-what-are-the-experts-saying/>.
- Arun, Advait. 2025c. “Financial Functionalities for State Instrumentalities.” *Center for Public Enterprise*, September 18.  
<https://publicenterprise.org/financial-functionalities-for-state-instrumentalities/>.
- Arun, Advait. 2025d. “The Natural Gas Turbine Crisis.” Heatmap News, February 26.  
<https://heatmap.news/ideas/natural-gas-turbine-crisis>.
- Arun, Advait, and Chirag Lala. 2025. “One Big Beautiful Blackout.” *Center for Public Enterprise*, June 30. <https://publicenterprise.org/one-big-beautiful-blackout/>.
- Avila, Larry. 2025. “General Motors Cutting Thousands of Jobs at Its EV, Battery Plants.” *Wards Auto*, October 29.  
<https://www.wardsauto.com/news/gm-layoffs-ultium-cells-factory-zero/804171/>.
- Berlin, Mitch, and Elizabeth Kaske. 2026. “M&A Activity Insights: December 2025.” EY Parthenon, January 23.  
[https://www.ey.com/en\\_us/insights/mergers-acquisitions/m-and-a-activity-report](https://www.ey.com/en_us/insights/mergers-acquisitions/m-and-a-activity-report).
- Bhattacharya, Arpita. 2025. “MnCIFA October Board Presentation.” Board Meeting, St. Paul, MN, October 15. [https://mn.gov/commerce-stat/pdfs/october\\_board\\_presentation\\_2025.pdf](https://mn.gov/commerce-stat/pdfs/october_board_presentation_2025.pdf).
- Bitterman, Ezra. 2025. “Lawmakers and Advocates Disappointed by Power Authority’s Renewable Plan.” *Times Union*, December 18.  
<https://www.timesunion.com/capitol/article/democrats-say-state-failing-build-publicly-owned-21247583.php>.
- Bradstock, Felicity. 2025. “Why Green Hydrogen Has Fallen Short in the United States.” *Shale Magazine*, November 24. <https://shalemag.com/green-hydrogen-shortcomings-us/>.
- Brookfield Renewable Partners. 2026. “Brookfield Renewable Reports Strong 2025 Results and Announces 5% Distribution Increase.” January 30.

- <https://bep.brookfield.com/press-releases/bep/brookfield-renewable-reports-strong-2025-results-and-announces-5-distribution>.
- Bullard, Nat. 2026. "Decarbonization: Parameters, Dollars and Sense, Electrons Photons Molecules." Nat Bullard, January 15. <https://www.nathanielbullard.com/presentations>.
- Burton, David. 2025. "Tax Equity News: Updated Domestic Content Tables: Notice 2025-08." Norton Rose Fulbright, January 21. <https://www.projectfinance.law/tax-equity-news/2025/january/tax-equity-news-updated-domestic-content-tables-notice-2025-08/>.
- Burton, David, and Keith Martin. 2025. "The Shift Back to Gas." Norton Rose Fulbright, August 1. <https://www.projectfinance.law/publications/2025/august/the-shift-back-to-gas/>.
- Crux Climate. 2025a. "3Q2025 Tax Credit Pricing Update." November 12. <https://www.cruxclimate.com/insights/2h2025-tax-credit-pricing-update>.
- Crux Climate. 2025b. "2025 Market Analysis: Compliance with Foreign Entity of Concern Rules." December 9. <https://www.cruxclimate.com/reports/compliance-foreign-entity-of-concern-rules-2025>.
- Crux Climate. 2026. "A Developer's Guide to Pre-NTP Equipment Financing." January 15. <https://www.cruxclimate.com/insights/a-developers-guide-to-pre-ntp-equipment-financing>.
- DiGangi, Diana. 2025. "2025 on Track for Record Storage Deployments: WoodMac." Utility Dive, December 17. <https://www.utilitydive.com/news/energy-storage-installations-capacity-battery-obbba/808115/>.
- DiGangi, Diana. 2026. "DOE Nixes \$1.8B Loan to Arizona Public Service for Transmission, Renewables and Storage." Utility Dive, January 29. <https://www.utilitydive.com/news/doe-nixes-18b-loan-to-arizona-public-service/810890/>.
- "Domestic Content Safe Harbor Notice | Notice 2025-08." n.d. Internal Revenue Service. <https://www.irs.gov/pub/irs-drop/n-24-41.pdf>.
- Feygin, Yakov. 2025. "Electric School Bus Dealers." *Center for Public Enterprise*, April 8. <https://publicenterprise.org/electric-school-bus-dealers/>.
- Feygin, Yakov, and Advait Arun. 2025. "Holding Down the Fort: What States Can Do To Advance Decarbonization." *Center for Public Enterprise*, November 12. <https://publicenterprise.org/holding-down-the-fort-what-states-can-do-to-advance-decarbonization/>.
- Feygin, Yakov, and Chirag Lala. 2025. "The Dealer Always Wins." *Center for Public Enterprise*, June 3. <https://publicenterprise.org/report/the-dealer-always-wins/>.
- Fitch, Marc E. 2026. "CT Green Bank Sues Bankrupt PosiGen for \$22 Million in Loans." *Inside Investigator*, January 20. <https://insideinvestigator.org/ct-green-bank-sues-bankrupt-posigen-for-22-million-in-loans/>.
- Giacobone, Bianca. 2025. "Nextracker Acquires Solar Panel Frames Producer Origami Solar." *Latitude Media*, September 9. <https://www.latitudemedia.com/news/nextracker-acquires-solar-panel-frames-producer-origami-solar/>.

- Kaufman, Alexander C. 2025. "Trump's Cuts to Billion-Dollar Hydrogen Hubs Rattle Industry." Canary Media, October 10.  
<https://www.canarymedia.com/articles/hydrogen/hydrogen-hub-cuts-trump-doe-list>.
- Kennedy, Ryan. 2025. "Residential Solar Installer Posigen Files for Bankruptcy." *Pv Magazine USA*, December 8.  
<https://pv-magazine-usa.com/2025/12/08/residential-solar-installer-posigen-files-for-bankruptcy/>.
- Martin, Keith. 2026a. "Cost Of Capital: 2026 Outlook." Norton Rose Fulbright, January 29.  
<https://www.projectfinance.law/publications/2026/january/cost-of-capital-2026-outlook/>.
- Martin, Keith. 2026b. "Racing To Meet Electricity Demand." Norton Rose Fulbright, January 16.  
<https://www.projectfinance.law/publications/2026/january/racing-to-meet-electricity-demand/>.
- Martos, Jenny. 2026. "Betting Big on Data Centers, U.S. Now Leads World for New Gas Power Development." *Global Energy Monitor*, January 28.  
<https://globalenergymonitor.org/report/betting-big-on-data-centers-u-s-now-leads-world-for-new-gas-power-development/>.
- Martucci, Brian. 2025. "Batteries to Provide Grid Support in Transmission-Constrained Pacific Northwest: BrightNight." *Utility Dive*, December 9.  
<https://www.utilitydive.com/news/batteries-brightnight-puget-sound-pse-greenwater/807423/>.
- Matsuda, Akiko. 2025. "PosiGen Files for Bankruptcy as Solar Tax Credits Roll Back." *WSJ Pro. Wall Street Journal*, November 25.  
<https://www.wsj.com/articles/posigen-files-for-bankruptcy-as-solar-tax-credits-roll-back-6b3dc0c8>.
- Morrison, Vaughn H. 2025. "Data Centre Loads and Domestic Content Policy Define US Battery Storage Market's Future, Law Firm Says." Troutman Pepper Locke, October 20.  
<https://www.troutman.com/insights/data-centre-loads-and-domestic-content-policy-define-us-battery-storage-markets-future-law-firm-says/>.
- Occidental Petroleum. 2025. "1PointFive Signs 25-Year Sequestration Agreement with CF Industries." April 8.  
<https://www.oxy.com/news/news-releases/1pointfive-signs-25-year-sequestration-agreement-with-cf-industries/>.
- Patel, Sonal. 2026. "Transformers in 2026: Shortage, Scramble, or Self-Inflicted Crisis?" *POWER Magazine*, January 2.  
<https://www.powermag.com/transformers-in-2026-shortage-scramble-or-self-inflicted-crisis/>.
- Proctor, Darrell. 2026. "Constellation Completes Acquisition of Calpine; Groups Have 55 GW of Generation Capacity." *POWER Magazine*, January 19.  
<https://www.powermag.com/constellation-completes-acquisition-of-calpine-groups-have-55-gw-of-generation-capacity-2/>.
- Skok, Phoebe. 2025. "U.S. Battery Market Faces a Make-or-Break Year in 2026." *Pv Magazine USA*, December 19.  
<https://pv-magazine-usa.com/2025/12/19/u-s-battery-market-faces-a-make-or-break-year-in-2026/>.

- Spector, Julian. 2025a. "In a First, a Data Center Is Using a Big Battery to Get Online Faster." Canary Media, October 24.  
<https://www.canarymedia.com/articles/batteries/aligned-data-center-get-online-faster>.
- Spector, Julian. 2025b. "The Billion-Dollar US Green Hydrogen Boom Ended before It Ever Began." Canary Media, June 18.  
<https://www.canarymedia.com/articles/hydrogen/green-industry-trump-tax-credits>.
- St. John, Jeff. 2024. "'Green Bank' Launches \$250M Effort to Electrify California's Port." Canary Media, October 29.  
<https://www.canarymedia.com/articles/clean-fleets/green-bank-launches-250m-effort-to-electrify-californias-port-trucks>.
- "The Gas Turbine Crunch: Why Supply Won't Meet Demand." 2025. *Infrastructure Investor*, December 24.  
<https://www.infrastructureinvestor.com/the-gas-turbine-crunch-why-supply-wont-meet-demand/>.
- Walton, Robert. 2026. "NERC Forecasts Peak Demand to Rise 24% on New Data Center Loads." Utility Dive, January 30.  
<https://www.utilitydive.com/news/nerc-10-year-peak-demand-forecast-jumps-24-on-new-data-center-loads/810955/>.
- Walz, Eric. 2025. "SK On Pivots to Stationary Energy Storage after Ford Joint Venture Ends." Utility Dive, December 16.  
<https://www.wardsauto.com/news/ford-skon-dissolving-blueoval-sk-ev-battery-joint-venture/807726/>.
- "What to Expect after Infra's Record Fundraising Year." 2026. *Infrastructure Investor*, January 22.  
<https://www.infrastructureinvestor.com/what-to-expect-after-infras-record-fundraising-year/>.
- Williams, Paul E. 2025. "Statement on NYPA Strategic Plan." *Center for Public Enterprise*, December 9.  
<https://publicenterprise.org/center-for-public-enterprise-statement-on-nypa-strategic-plan/>.
- Zeitlin, Matthew. 2025. "Bigger Is Better in the Age of Trump, Says NextEra CEO." Heatmap News, July 24. <https://heatmap.news/energy/nextera-earnings-obbbba>.

### **Acknowledgments**

The author would like to thank Ray Cai, Catherine Fraser, Noah Gordon, and Herbert Crowther for their feedback and insights throughout the editing of this paper.

### **Author Contact**

Advait Arun, Senior Associate for Capital Markets

[advait.arun@publicenterprise.org](mailto:advait.arun@publicenterprise.org)

### **Executive Director**

Paul Williams

[paul.williams@publicenterprise.org](mailto:paul.williams@publicenterprise.org)

### **About the Center for Public Enterprise**

Center for Public Enterprise is a 501(c)(3) nonprofit organization focused on expanding public sector capacity to deliver broad economic development. Our work focuses on various sectors of the economy, including housing, energy, and finance. For more information, visit our website at [publicenterprise.org](http://publicenterprise.org).