Calm Winds and Stormy Skies

Why Renewable Energy May Hit Turbulence in the Capital Markets

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Following record growth and investment over the past decade, the energy transition investment thesis may be running out of steam. After peaking globally in 2024 at more than $2 trillion in capital,[1] with the United States contributing approximately $300 billion to global energy transition spend that year,[2] the renewable energy industry now faces increasing challenges attracting private capital to finance and develop projects.

The One Big Beautiful Bill Act (OBBBA) holds significant implications for future renewable energy development in the US. However, cracks in the financing ecosystem for energy transition projects had already been developing. After a $168 billion peak in 2021, energy transition equity capital commitment fell sharply to $51 billion in 2024, causing project developers to increasingly turn to debt capital markets to fund complex energy transition projects despite persistent elevated interest rates.[3]

The OBBBA will create additional challenges for expanding nascent and developing new projects in the US. The OBBBA dramatically reshapes the tax credit landscape, compresses timelines, tightens compliance rules and introduces restrictions on foreign participation in wind, solar and other renewable projects. This paradigm deviates significantly from the incentives established by the 2022 Inflation Reduction Act (IRA). In three years, government-backed incentives for renewable projects have been significantly re-written for projects that have 20 to 40 year investment horizons.

This article examines key changes to tax credits, the impact on financing dynamics and why renewable energy investments are at greater risk of losing capital markets access going forward.

COMPRESSED TIMELINES FOR WIND AND SOLAR

Under the IRA, wind and solar projects could access production tax credits (PTC) and investment tax credits (ITC) through 2032, with generous flexibility on construction start and required in-service deadlines. Under OBBBA, this framework is sharply curtailed with new guidance issued by the US Treasury Department in mid-August 2025.[4] Wind and solar projects must begin construction within 12 months after OBBBA enactment and be placed in service by December 31, 2027 to qualify for PTC.

This significantly compresses project development cycles, forcing developers to accelerate planning, permitting, procurement and financing. Accelerated project development timelines could increase the potential for sub-optimal site selection, create further challenges in procuring adequate feedstocks from an already stretched supply chain and exacerbate exposure to local regulatory politics that may have a negative view of renewable energy projects. Given the significant impact a short delay in permitting may have on project start-up, even a short regulatory delay could create material negative financial impacts. For investors, this means increased schedule risk, potential cost overruns and heightened credit loss probability.

FOREIGN ENTITY RESTRICTIONS AND SUPPLY CHAIN RISK

OBBBA introduces disqualification rules tied to material assistance from prohibited foreign entities. Projects that receive components, financing or support from restricted countries may be denied access to credit entirely. Given the US renewables heavy reliance on global supply chains – particularly solar modules and batteries – this restriction introduces material compliance risk. While always a concern when dealing with supply chains, geo-political and tariff uncertainty will further complicate project financial analysis that rely heavily on Asian and certain European country imports.

With persistent inflation and supply chain disruptions, investors will require greater visibility into sourcing and contractual structures, raising due diligence costs and uncertainty around actual cash flow project returns. These complexities will make calculating financial returns more complex going forward. Capital markets may demand risk premiums or avoid projects that rely on critical component foreign supply. These added risk premiums could heighten financing costs for all but the most attractive renewable projects with demonstrably stable, robust supply chains.

UNEVEN IMPACTS ACROSS TECHNOLOGIES – WINNERS WILL EMERGE

While wind and solar face steep cliff effects, other technologies fare better. Standalone storage remains eligible for tax incentives through 2033, showing significantly less policy risk. However, the underlying technologies are less developed than wind and solar. Hydrogen and carbon capture also retain long-dated credits, albeit with stricter reporting requirements. This uneven treatment will skew capital flows, advantaging technologies with regulatory runway and disadvantaging those under compressed timelines. For investors, portfolio diversification across eligible technologies becomes paramount.

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Geothermal, nuclear, storage (battery and fuel cell) and other emerging technologies are poised to take a disproportionate share of available renewable energy investment capital. Projects in the favored technological category will inherently carry a lower risk premium, further crowding out marginal wind or solar projects. While ability to demonstrate commercial viability remains vital for certain technologies, established technologies like geothermal and nuclear could be poised to achieve outsized returns when factoring in potential for accelerated regulatory approval and attractive PTC.

FINANCING CHALLENGES UNDER THE NEW REGIME

Prior to the OBBBA, renewable projects and developers were already facing modest rotation away from projects as evidenced by significantly lower equity commitments to renewable energy projects and marginally higher debt issuance costs for companies.[5] A significant portion of global energy transition debt has been issued through government sponsored or subsidized vehicles that socialize the risks inherent to investing in emerging technologies. While the OBBBA significantly curtails federal subsidies, incentives still exist at the state level and in many other global jurisdictions. While the OBBBA impact on the financing market remains uncertain, changes in federal tax credit treatment will certainly increase risk premiums paid by issuers.

Compressed timelines, foreign entity restrictions and uneven credit support may raise financing challenges. Equity sponsors face higher stranded capital risk if projects miss deadlines or cannot reach positive cash generation on the forecasted timeline. Debt providers will likely tighten underwriting standards, reduce leverage or demand higher economics to account for the increased risk to the underlying cash flows associated with these regulatory changes. Tax equity investors, already a constrained pool, may retreat from wind and solar, redirecting capital toward storage or hydrogen. Risk re-pricing will slow deal flow and raise capital cost.

INVESTOR CONSIDERATIONS AND STRATEGIC OUTLOOK

Investors evaluating renewable projects under OBBBA must weigh execution risk against long-term demand for clean power. While US utilities and corporates continue to drive renewable procurement, new project economics will increasingly hinge on non-tax-credit factors such as power purchase agreements, hedging structures and cost discipline. For forward-looking investors, opportunities may remain in storage, hydrogen and carbon capture, where credit stability persists. However, financing wind and solar will require careful structuring, enhanced due diligence and greater risk tolerance.

HOW PORTAGE POINT PARTNERS CAN HELP

Amidst increased uncertainty around prospective investment capital raising and due diligence, investors and companies should take extra care in sizing capital needs and timelines to complete projects. The Portage Point full suite of integrated capabilities help stakeholders identify gaps in project development plans, determine intermediate and long-term capital needs and raise capital to execute projects. For sponsors and lenders, Portage Point has deep experience supporting complex financial and operational due diligence as well as providing services to monitor and support underperforming assets.

Appendix A – Summary of Renewable Tax Credit Changes

Technology	Previous Policy (IRA)	New Policy (OBBBA)	Investor Impact
Wind	PTC/ITC through 2032 with flexibility	12 month start, in service by 2027	Compressed timeline, higher execution risk
Solar	ITC through 2032 with bonus adders	12 month start, in service by 2027	Delays risk disqualification, costlier financing
Standalone Storage	Eligible through 2032	Eligibility extended to 2033	Lower policy risk, capital likely to flow here
Hydrogen (Clean H_2)	Long-dated credit through 2032	Retained with modest reporting	Attractive but requires diligence on compliance
Carbon Capture (45Q)	Extended through 2032	Retained with stricter audits	Still viable but higher compliance burden
Emerging Tech (Geothermal, Wave, Nuclear)	Credit through 2032	Retained through 2033	Policy stability improves bankability

Source – H.R.1 One Big Beautiful Bill Act

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Appendix B – Levelized Cost of Electricity (LCOE) by Technology

Another critical lens for investors is the LCOE. While tax credits shape near-term project economics, the underlying cost competitiveness of each technology informs long-term investment viability. Below is a simplified comparison of average US generation costs per megawatt-hour (MWh).

Technology	Average LCOE ($ / MWh)
Onshore Wind	$30 to $45
Fixed Bottom Offshore Wind (pre-tax incentives)	$86 to $120
Floating Offshore Wind (pre-tax incentives)	$150 to $220
Utility-Scale Solar PV	$25 to $40
Natural Gas (Combined Cycle)	$45 to $70
Nuclear	$90 to $120

Sources – 1. United States Energy Information Administration, "Levelized Costs of New Generation Resources in the Annual Energy Outlook 2025," 2. National Renewable Energy Laboratory, "Cost of Wind Energy Review: 2024 Edition"

Footnotes

1. BloombergNEF, "Energy Transition Investment Trends 2025," January 30, 2025

2. International Energy Agency, "World Energy Investment 2024"

3. Bloomberg NEF, "Energy Transition Investment Trends 2025," January 30, 2025, International Energy Agency, "World Energy Investment 2024"

4. United States Treasury Department, Internal Revenue Service FAQs, "FAQs for modification of sections 25C, 25D, 25E, 30C, 30D, 45L, 45W, AND 179D under Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBB)"

5. Bloomberg NEF, "Energy Transition Investment Trends 2025," January 30, 2025, International Energy Agency, "World Energy Investment 2024"