Tax Equity is Critical for Building Solar Energy Projects

- Tax equity markets, made possible by the Congressionally-authored solar Investment Tax Credit (ITC), are a major source of financing for clean energy, including solar projects.
- In this structure, financial and other institutions provide funding for solar energy projects and utilize the solar ITC to aid in financing.
- In light of the continued economic downturn from COVID-19, many of these institutions have very significantly pulled back or no longer have the ability to invest, meaning that financing for solar has been seriously diminished.
- Without adequate financing, solar projects can’t move forward.

COVID-19 is Harming Tax Equity Financing

- At the outset of the COVID-19 pandemic, we heard scattered reports of medium- and long-term decreases to the availability of tax equity financing, as well as those who faced immediate challenges. Since July, those reports have become widespread as companies throughout the solar industry face a financing shortage.
- A report from Bloomberg New Energy Finance states that up to $23 billion in clean energy investments could dry up as a result of tighter tax equity markets, representing 31 gigawatts (GW) of solar and wind projects.
- Bloomberg also estimates a $10 billion shortfall in tax equity for solar development alone between 2020 - 2021.
- Between Q2 2019 and Q2 2020, net income decreased by a weighted average of 74% for the top 4 U.S. tax equity investors.
- Individual financiers have left the market entirely, suspended investment in new deals, or significantly rolled back their investments.
- By some estimates, tax equity financing could decrease in the range of 50%.

A 50% decrease in tax equity markets, as some banks are predicting, would put 82,000 solar jobs at risk in 2021, a 25% decline from the baseline.

To address this problem, SEIA urges passage of a direct pay provision for the solar ITC to save jobs and drive further clean energy growth.