Scenario Analysis for 2025-2026 Under 48E/25D Removal for Resi PV

Key Takeaways

- **2025 down -16% YoY vs -8% prior (4.3GW vs 4.7GW)**: H2-25 will likely be impacted given the short selling window and projects needing to be placed in service/given permission to operate (PTO) by 12/31/2025. Financiers have signaled conservative timelines for offering "ITC eligible" pricing/terms, with originations falling off around August in order to allow for sufficient installation and PTO cycle times by year end
- **2026 down -53% o. 2025 scenario build (2GW o. 4.3GW) and down -60% o. 2024 (2GW o. 5.1GW):** Comps to 2024 are provided since H2-25 is projected to be affected by the draft bill. At the state level, impact is weighted toward low energy cost markets, with larger SunBelt states in the -60 to -70% (YoY) range, with higher energy markets in the -40 to -50% YoY range
- **This is not a forecast for 2025 and 2026**. Instead, it is modeling what would likely occur in the case that the recently passed House reconciliation bill were to be passed by Congress as is. Additionally, this modeled scenario is based on our best interpretation of the House bill as most recently written. The bill could easily change, particularly language regarding timelines for tax credit phaseouts and deadlines to qualify for the credits (e.g. “start of construction” vs. “placed in service”) in the final iteration

The impact of the elimination of 25D and 48E in 2026 on the residential market was **modeled based on an analysis of payback periods pre- and post- ITC. We developed state specific demand curves that applied historical correlations between payback periods and demand (adjusted for interest rates).** Payback periods were based on a number of datapoints including state incentives, average utility bills, and $/W data by state. The sensitivity analysis suggested that while there was an expected variation at the state level (see below and supporting excel), nationally, the average payback period would increase by roughly 5-6 years resulting

in a significant reduction in installed capacity. **Note that 48E could potentially still apply for TPO ESS systems (per recent channel feedback), so impacts to ESS adoption may not be as severe.**

Effects of ITC Change on Paybacks				
State	2025 Payback (Yrs.)	2026 ITC Removed (Yrs.)	Payback Change (Yrs.)	Payback Change (%)
CA	9.9	15.9	6.0	60%
FL	13.4	19.5	6.1	46%
PR	7.0	10.4	3.4	48%
TX	16.5	24.2	7.7	47%
MA	7.7	11.5	3.7	48%
U.S. Total	**11.4**	**17.1**	**5.7**	**50%**

Ohm Analytics

Sample of payback periods on PV-only under removal of ITC*
*Paybacks adjusted for interest rate effects. Varies by region/utility, installer, etc.

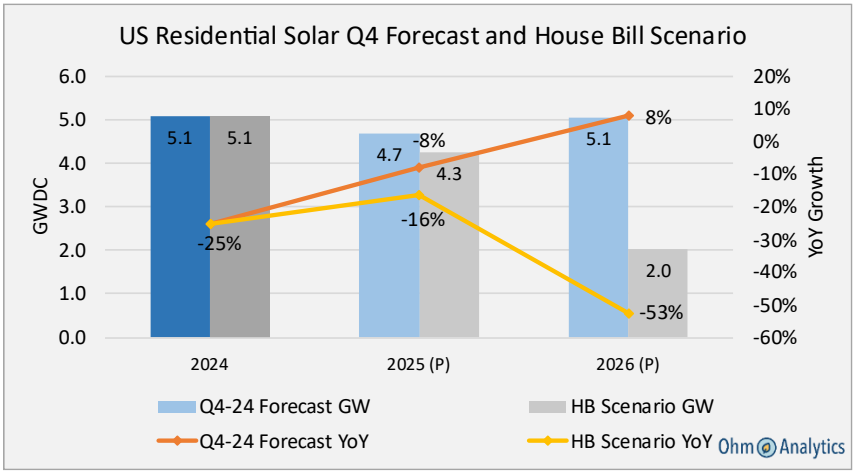
Additionally, while we used payback periods for this overall market analysis, TPO discounts to utility rates are an important factor for evaluating the TPO market. That will be included in further analysis on the TPO market specifically as we get more clarity on potential scenarios.

The modeled scenario also factors in the impacts to H2-25 namely the reduced selling window, since projects would need to be placed in service by EOY. Financiers have signaled conservative timelines for offering "ITC eligible" pricing/terms, with originations likely falling off around August to allow for projects to be installed and receive PTO from utilities by year end. Therefore, sales pipelines realizing the 2025 ITC are unlikely to convert into a full quarter of final interconnects in Q4-25. Due to this more cautious stance, we think that the while prior incentive deadlines have caused a rush in demand, this will be more difficult to achieve in 2025.

Additional headwinds have been highlighted in our recent flash reports, both from our network of installers and Ohm leading indicators showing softer than expected demand driven by consumer sentiment surrounding tariffs and the broader macro environment. Under the current scenario model, the truncated selling season and consumer sentiment will collectively offset the forecasted modest seasonal lift in H2-

25 final interconnects such that **2025 would decline -16% YoY vs. our published forecast of -8% YoY (4.3GW vs 4.7GW)**.

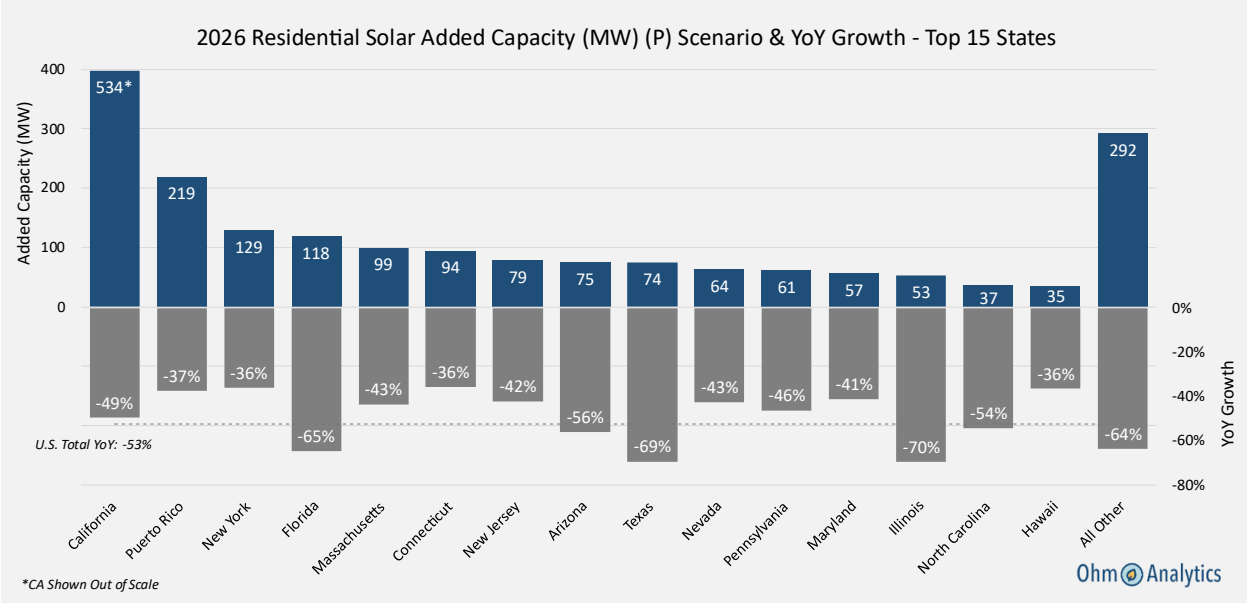
With the draft bill in full effect, 2026 will see national payback period shift out 5-6 years resulting in the market contracting 53% YoY, ending at 2GW vs 4.3 GW in 2025. Given H2-25 is projected to be affected by the draft bill, 2026 vs 2024 is most representative of the all-in impact of the residential ITC elimination in 2026, **and in this scenario and 2026 is down 60% versus 2024 (2.0GW vs 5.1 GW).**



Prior forecast with no ITC changes and HB scenario annual

We still believe the long-term drivers of the distributed market (utility rate increases, resilience concerns, end customer demand, etc.) are strong, but a dramatic policy shift will set the market back several years. As mentioned above, if TPO for ESS can still qualify for 48E, that is a tailwind that is not factored into the adjusted payback periods and above forecast.

At the state level, impact is weighted toward low energy cost markets, with larger SunBelt states in the -60 to -70% (YoY) range, with higher energy markets in the -40 to -50% range. See the next page for state-by-state scenarios. This state level data generally aligns with preliminary installer feedback and we will be sharing out unique insights directly from the field shortly.



State level modeled scenario under 48E/25D removal