

Keynote: Energy Tax Policy at a Crossroads

Tokio Marine GX Risk Seminar North America
2026

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October 14, 2026

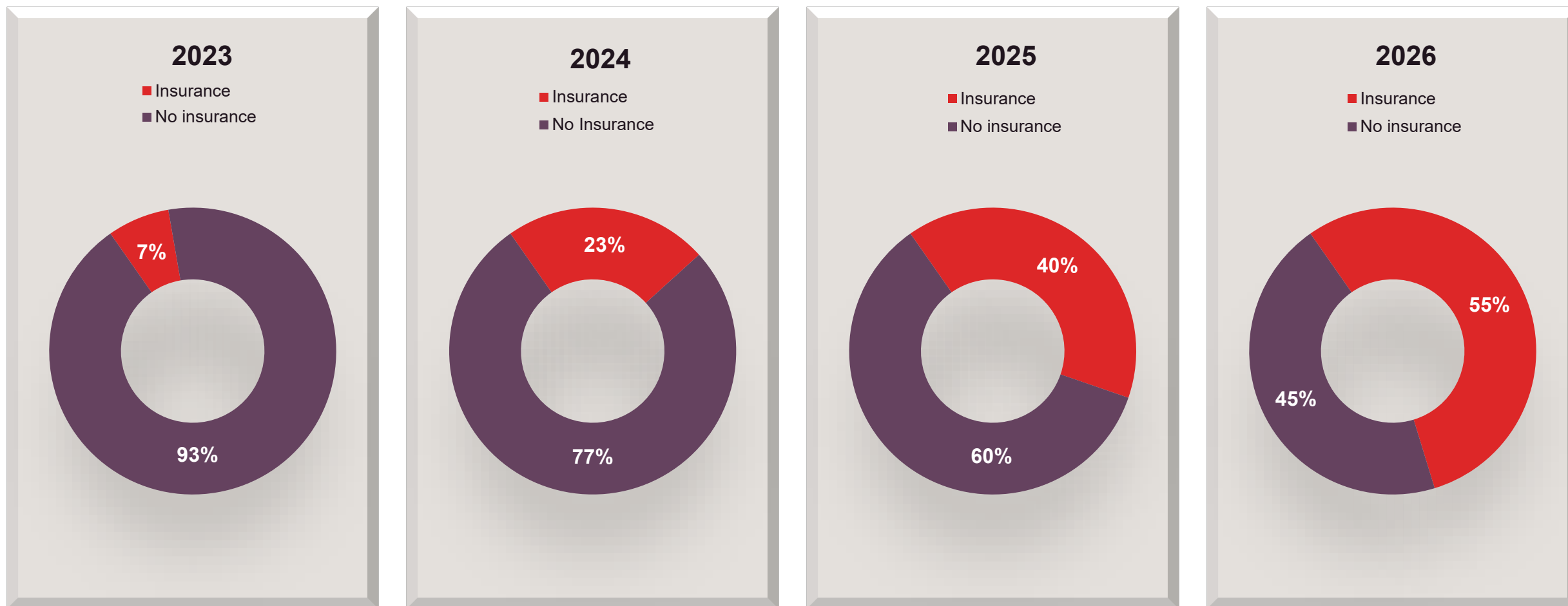
Norton Rose Fulbright US LLP



1. Tax credit insurance market



Insurance now used in more tax credit transfers than not



Insurance v. investment grade indemnity (2023-2026)

- Some developers are questioning whether tax credit insurance is worth the cost.
 - Tax credit buyers prefer an investment grade indemnity to tax credit insurance as reflected in a higher price by 2.8 cents.
 - However, energy sponsors without an investment grade balance sheets see their tax credit prices fall by 5.5 cents without tax credit insurance.
 - But we are now seeing tax credit pricing in the low 80s if there is neither an investment grade indemnity nor insurance.

Insurance?	Investment grade indemnity?	Weighted avg. price
✗	✓	\$0.948
✓	✗	\$0.920
✓	✓	\$0.922
✗	✗	\$0.905

**Prices reflected in table are from Norton Rose Fulbright's internal database*

Premiums and underwriting fees rise while coverage narrows

PREMIUMS*

3% → 5% → 6%

UNDERWRITING FEES

\$50K–\$90K → \$100K+

**Premium rates vary considerably by transaction and these are rough averages based on anecdotal experience.*

COVERAGE NARROWING

TIGHTER TERMS, MORE EXCLUSIONS

As demand for tax credit insurance has grown against limited underwriting supply, insurers are commanding higher prices and imposing stricter terms, including more exclusions.

Retentions tightened in investment tax credits deals (ITCs) for FMV step-up values over 25% of the cost of the project.

MARKET CAPACITY

QBE EXIT

QBE North America no longer accepting Transactional Liability insurance submissions, including tax credit insurance.

STILL A REVOLVING DOOR?

We have seen a pattern of insurers exiting and entering the tax credit insurance market. Will another insurer take QBE's place?

MARKET CHATTER

Market chatter suggests additional underwriters may be reducing exposure limits beyond QBE's exit.



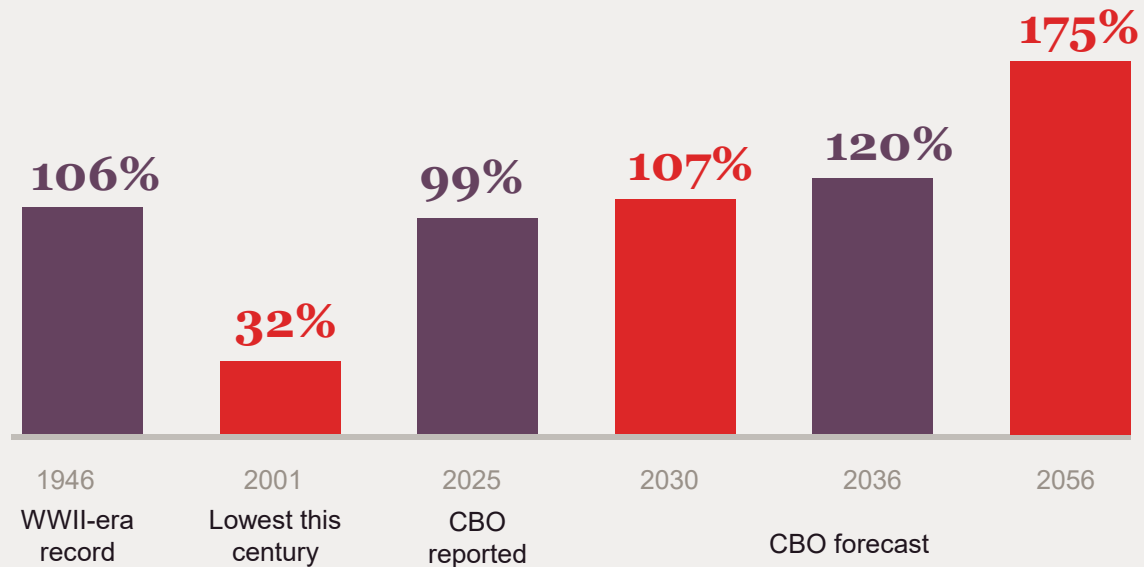
2. Energy tax policy dynamics



The debt burden: unseen since WWII, and getting more expensive

DEBT-TO-GDP

US debt is set to clear the WWII record



CBO forecast (Feb 2026): US debt-to-GDP on track to surpass the 106% WWII-era record by 2030, reach 120% by 2036, and climb to 175% by 2056.

\$40+ trillion

US public debt outstanding

\$1.97 trillion

Federal budget deficit in first 11 months FY2026
One of the highest on record

\$1 trillion

Net interest bill for the 11 months through August
Exceeding defense and most other major categories

3.48%

Average rate on marketable Treasuries through August
More than 2 percentage points above five years earlier

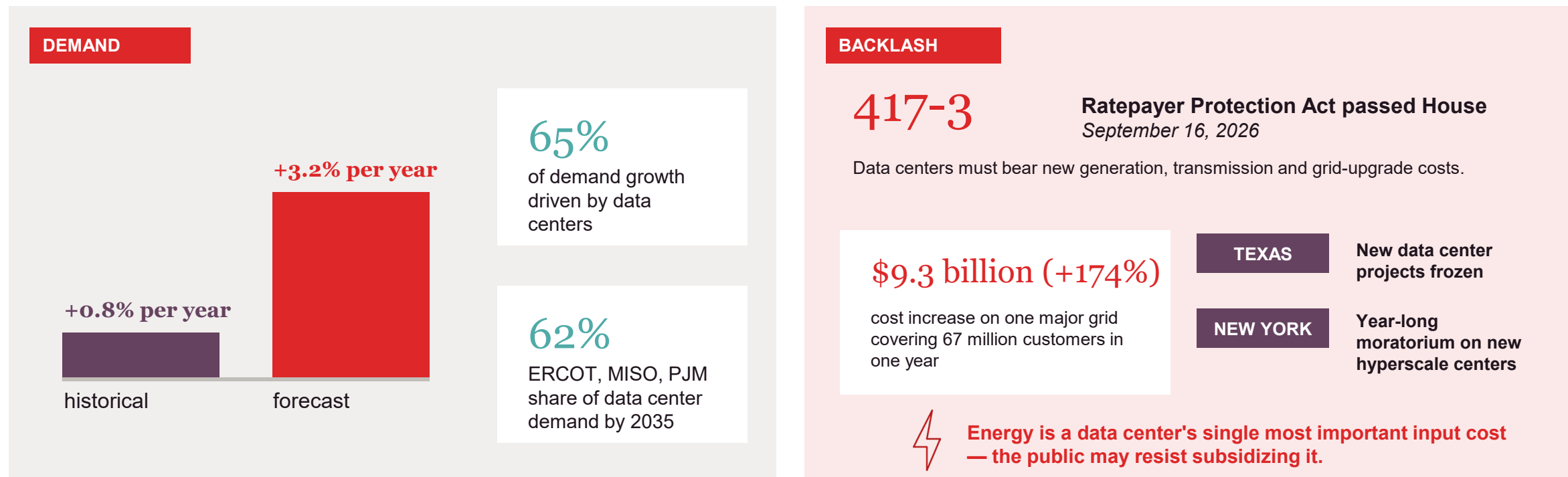
\$6.81 trillion

FY2026-to-date spending (+3%)

\$4.85 trillion

FY2026-to-date revenues (+3% adjusted vs 2025)

Demand growth also unseen since WWII — and it's colliding with politics



“AI adoption could accelerate faster than expected, and data center electricity demand could rise by orders of magnitude above today’s levels, driven by training, inference, cloud migration, and sovereign AI buildout.”

Electricity is no longer affordable for many households

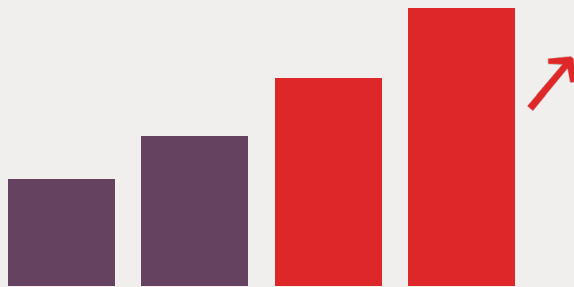
HOUSEHOLD BILL

22.7%

US households spent more than 6% of their gross income on home energy costs in 2024; five states above 31%

\$2,676/year

Average household electricity spend



18 cents/kWh

Apr 2025-Mar 2026
highest since at least
2001 (inflation-adjusted)

16 months

Dec 2024-Mar 2026
consecutive bill increases
longest streak since at
least 2008

GOV. JOSH SHAPIRO (D-PA) · JAN. 28, 2025

“When PJM's next auction was set to result in historic price hikes, I filed a lawsuit to stop this price hike on consumers and defend Pennsylvanians. PJM did the right thing by listening to my concerns and coming to the table to find a path forward that will save Pennsylvanians billions of dollars on their electricity bills.”

Saved the PJM region over \$21 billion · capacity price cap cut from over \$500/MW-Day to \$325/MW-Day

GOV. JOSH SHAPIRO (D-PA) · APRIL 16, 2026

“Pennsylvanians are already being squeezed by rising costs from the Trump Administration's chaotic economic policies and the war in Iran — but my Administration is doing everything we can to cut costs and protect consumers.”

PECO withdrew a rate case · saved 1.7 million PA consumers \$510 million

Renewables are the only quick source for new capacity

Across most major markets, utility-scale solar and onshore wind are now the cheapest sources of unfirmed new electricity generation—not on a policy adjusted basis, but on a raw levelized cost comparison

Given the long queue for gas turbines, you can't get one anytime soon

US GAS TURBINE ORDERS 2022-2026

Acceleration in capacity and orders

2022-2023

+18%



Turbine Capacity

+15%



Orders

2024-2026

+305%



Turbine Capacity

+519%



Orders

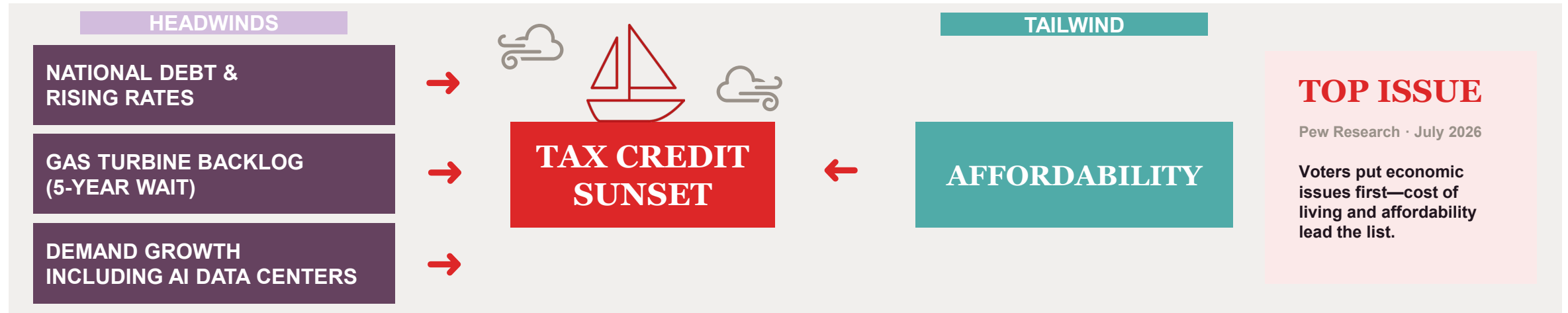
~5 years

Wait for a new gas turbine from GE Vernova, Mitsubishi Power or Siemens Energy

US manufacturing capacity increase by GW% (2025-2026)

- 1 GE Vernova (+54%)
- 2 Mitsubishi Power (+50%)
- 3 Siemens Energy (+50%)

The collision course: three headwinds vs. the affordability tailwind



GOV'T NEEDS REVENUE



Federal revenue

The federal government needs revenue.

RENEWABLES CAN COMPETE



Federal revenue

Renewables can compete without subsidy amid a five-year gas turbine wait.

NO SUBSIDY FOR AI



No subsidized load

Energy is data centers' primary expense.

VOTERS



Affordability wins

Voters want Congress to act on affordability—and it usually drives action.

Tax credits: an efficient tool for addressing affordability

WHY TAX CREDITS WORK

01 Leverages existing infrastructure

The tax rules and IRS are already in place, which avoids the time and expense of creating a new system and administrator.

02 Spreads cost nationally

Tax credits distribute the cost evenly across the nation, rather than making it a regional problem.

03 Efficient value extraction

Transferability and refinements in the tax equity market have made the industry increasingly efficient at converting credits into value.

Subsidies for households versus corporate tax credits

UNITED STATES

Historically, American policy makers on the national level have found tax credits more palatable than subsidies for households. Tax credits appeal to both non-fiscal concerns (affordability, climate change) and those that favor lower corporate tax burdens.

Vs.

UNITED KINGDOM

The UK enacted a subsidy for households spending more than 6% of their gross income on energy

Bottom line - Giving households subsidies to pay for energy is difficult to get through Congress, making corporate tax credits the more likely tool to lower energy costs.

Some renewable energy developers favor sunsetting the tax credits

THE PROPOSITION

The phase-down of renewable tax credits will strengthen the renewables industry by forcing discipline on costs and returns and should not be reversed by future policy.

AGREE OR DISAGREE?

AGAINST EXTENSION · AGREE

“I can’t put enough exclamation points on agree.”

Hunter Armistead · Pattern Energy

“Agree.”

Cassidy DeLine · Linea Energy

“Agree.”

Greg Hutton · Rabobank

“Agree.”

Declan Flanagan · Bluestar Energy Capital

THE AFFORDABILITY COUNTER

“WE HAVE ENOUGH DISCIPLINE.”

“I agree, but I think there is so much competition in the industry. We have enough discipline. We can compete without tax credits right now. The issue is affordability. And I think the Democrats will start pushing tax credits as an affordability issue, and they may have a point.”

Kevin Smith · Cypress Creek Renewables

Bipartisan House interest meets a Republican Senate gap

Current-Congress proposals would restore, expand or extend the technology-neutral 45Y and 48E credits for clean energy projects.

EXTEND / EXPAND 45Y AND/OR 48E

S.2681 • Lowering Electric Bills	Sen. Schumer (D-NY)	40 Democratic cosponsors
S.4175	Sen. Wyden (D-OR)	Senate restore / extend bill
H.R.6474 • Nuclear parity	Rep. Newhouse (R-WA-4)	3 Republican cosponsors

RESTORE / AMEND BOTH 45Y + 48E

H.R.9358 • Improving American Lives	Rep. Magaziner (D-RI-2)	Restores / amends both credits
H.R.6900 • American Affordability	Rep. Thompson (D-CA-4)	W&M tax ranking · 45 D cosponsors
H.R.8477	Rep. Fitzpatrick (R-PA-1)	All-R · reverses OBBBA energy cuts
H.R.5862 • Energy Independence	Rep. Thompson (D-CA-4)	128 Dems · restores full IRA 45Y/48E

RESTORE / AMEND 48E

H.R.9945 • Grid Modernization	Rep. Whitesides (D-CA-27)	Bipartisan · Harrigan + Hamadeh (R)
S.3531	Sen. Blackburn (R-TN)	New §48F CHP · companion H.R.6824
H.R.6824	Rep. Van Duyne (R-TX-24)	§48F CHP · 1 R · companion S.3531

BIPARTISAN SIGNAL

HOUSE REPUBLICANS

Ways & Means members Fitzpatrick and Van Duyne are engaging; Harrigan and Hamadeh joined H.R.9945 as original cosponsors.

SENATE GAP

No Senate Republican sponsors a broad 45Y / 48E restore-or-extend bill. S.3531 is a narrower combined heat and power proposal.

WHY THE GAP?

Renewable investment and jobs vary sharply by region within states—making a single national Senate GOP position harder to assemble.

3. Energy tax policy crystal ball



Predictions for the next four years: Sunset ITC & PTC but expand manufacturing tax credits

- There will be expansion and extension of the manufacturer's tax credit (§45X).
 - Manufacturing required to be in the US, so it has broader political appeal than solar projects with imported panels.
 - The tax credit pushes down the price manufacturers charge for components, which arguably could benefit project developers more than a tax credit for the projects themselves.
 - Credit based on the number of components produced, rather than the cost of the project. Therefore, unlike the investment tax credit based on the tax basis (cost), it rewards greater production.

**Predictions for the next four years:
Fix BEAT & enact an ITC for transmission**

- For US multi-nationals, we will see an extension of the favorable treatment for the legacy energy tax credits under the Base Erosion Anti-Avoidance Tax (BEAT) for the technology neutral tax credits.
 - Otherwise, BEAT suppresses the number of corporate buyers for the technology neutral tax credits, so each dollar of tax subsidy provided by Congress results in less cash for project developers.
- We will see an investment tax credit for transmission lines as part of a comprehensive bill addressing the need to upgrade and expand the transmission system in the US.

Predictions for the next four years

- Although, there are headwinds that experts on the coasts may not fully appreciate.





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