



Federal Tax Credits Play a Key Role in Wind and Solar ‘Mega Projects’ as the Market Also Engages With Other Technologies

This article was published in the **June 2026 issue of *Insights***.

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

Kate Mathieu

Partner / Washington, D.C.
202.371.7237
kate.mathieu@skadden.com

Paul Schockett

Partner / Washington, D.C.
202.371.7815
paul.schockett@skadden.com

Allie Tsvetnitskaya

Associate / Washington, D.C.
202.371.7561
allie.tsvetnitskaya@skadden.com

Key Points

- The One Big Beautiful Bill Act imposed new eligibility deadlines for wind and solar tax credits that have prompted a surge in project construction activity and a corresponding increase in demand for debt and equity financing.
- With the long-term outlook for wind and solar tax credits dimming, lenders and investors seeking additional investment opportunities are exploring other technologies — including nuclear, geothermal and other emerging energy sources — that will remain eligible for federal tax credits and are expected to attract increasing investment in the coming years.
- Factors including increased energy demand for data centers, AI and advanced manufacturing and higher tax credit rates under the Inflation Reduction Act have continued to contribute to growth in project scale, requiring developers to adopt increasingly sophisticated transactions to meet their financing needs for so-called “mega projects.”

The One Big Beautiful Bill Act (OBBBA), when signed into law on July 4, 2025, imposed a number of new restrictions and requirements on energy projects and advanced manufacturing facilities attempting to qualify for federal tax credits. This included tightened deadlines by which wind and solar projects receiving tax credits must meet certain development milestones.

The approaching eligibility deadlines have accelerated the pace of wind and solar project development and concentrated demand for financing, while also directing increased lender and investor attention toward technologies that remain eligible for tax credits following the sunset of credits for wind and solar projects.

Despite OBBBA’s constraints, federal tax credits will continue to play a significant role in financing energy projects and advanced manufacturing facilities in the years to come.

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This is especially true with growing demand for so-called “mega projects” to address needs in sectors including artificial intelligence (AI).

The enactment of the Inflation Reduction Act of 2022 (IRA) increased the value of the credits in addition to making them freely transferable for cash. As a result, developers pursuing large-scale energy and manufacturing facility projects increasingly are looking to a complex combination of various types of construction financing, tax equity investment and tax credit transfers in order to finance a single large project. (See our June 21, 2023, client alert [“Newly Proposed Regulations Provide Much-Needed Guidance on Federal Energy Tax Credit Monetization Provisions.”](#))

These larger projects have created substantial opportunities for lenders, tax equity investors and tax credit buyers willing to engage with more sophisticated structures.

Accelerating Development Timelines and Financing Demand

OBBBA’s eligibility restrictions for wind and solar facilities require projects that will not be operational by the end of 2027 to begin construction before July 4, 2026, in order to remain eligible for energy tax credits. The result has been a surge in early-stage project activity across the sector, as wind and solar developers aim to meet the requirements to preserve their projects’ eligibility for tax credits.

Because this early-stage activity commonly takes place prior to a project having secured project-level construction financing, the recent wave of projects is expected to result in a significant uptick in wind and solar projects needing financing over the next several years.

That need creates ample opportunities for lenders, tax equity investors and tax credit buyers to continue to engage with these technologies.

An Opening for New Technologies

OBBBA’s eligibility restrictions for wind and solar projects are also contributing to an increased appetite among lenders, tax equity investors and tax credit buyers to understand the opportunities that exist for investment in emerging or historically underutilized technologies.

Developers of carbon capture, nuclear, sustainable aviation fuel and other facilities are seeing additional attention from financing sources that may have traditionally focused primarily on wind and solar projects. High demand for battery storage systems to support data centers and provide backup for renewable energy sources with variable production has also resulted in an increase in development of those facilities and investment in their associated tax credits.

Increasing Complexity in Tax Credit Transactions

As projects grow in size in order to support increased energy demand and take advantage of more valuable tax credits, project developers are turning to multiple financing sources in order to obtain the funds required for a single project while meeting the needs of lenders, investors and tax credit buyers to limit their risk of exposure from any one project.

As a result, multiparty hybrid financings where one or more tax equity investors agree to claim a portion of the tax credits from a project while requiring the remaining credits to be sold to one or more tax credit buyers are becoming the norm for many large projects. In addition, tax credit insurance often plays an important role in achieving the desired risk allocation for all parties.

Developers and investors in this space will want to remain agile as the energy and advanced manufacturing industries continue to evolve in response to OBBBA’s restrictions on federal tax credits for energy projects. Those that do will be best positioned to take advantage of the opportunities that arise in this increasingly complex landscape.

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One Manhattan West / New York, NY 10001 / 212.735.3000 / 1440 New York Ave., NW / Washington, DC 20005 / 202.371.7000