17th April 2025

NextEnergy Capital Client Memo on the Impact of Tariffs imposed by the Trump Administration

Executive Summary

In light of the recent tariff announcements by the U.S. Administration, we would like to provide an update on how these developments may impact the existing portfolios of NextEnergy Capital (NEC) and outline our current investment positioning in the United States.

While headlines suggest potential market disruption, the vast majority of our portfolio remains insulated from these changes due to our proactive procurement strategy, focus on de-risked assets, and long-term relationships with supply partners. As a global specialist manager focused exclusively on solar PV and storage, NEC remains confident in the resilience of its portfolios and the long-term fundamentals supporting solar PV growth - including in the USA, where structural demand drivers such as AI data centres and electrification continue to accelerate.

This client memo covers:

1. Project-level impacts and equipment status across the NextPower III ESG and NextPower V ESG portfolios
2. The investment team's current views on U.S. activity and risk mitigation
3. Broader U.S. market trends, policy outlook, and implications for our investment strategy
4. Wider impacts of Trump's tariffs on the solar PV supply chain
5. China's response and market adaptation

1. NextEnergy Capital Existing Portfolio Updates

The vast majority of our existing portfolio is not expected to be impacted by the tariffs recently announced by the Trump Administration in April 2025. Please see below for details on our USA projects and impact on our broader investment activities:

NextPower III ESG

- Highlands North Construction Update:
  - Over 90% of major equipment for the project – excluding modules- has already been procured and is within US borders, and therefore (not subject to newly announced tariffs. Modules, which account for approximately 45% of major equipment capex, are the key outstanding item.
  - NEC, along with supply partners, are assessing what impact there will be on pricing for solar panels and related componentry. NEC has secured supply through a historic downpayment with JA Solar and is actively working to mitigate the risk of any further tariff changes as soon as possible.

- Other US Projects:
  - All other projects within the NPIII ESG portfolio in the US are already operational and are thus unaffected by any future tariff measures which concentrate on the supply chain.

NextPower V ESG:

- Highlands South:
  - All major equipment has either been installed or is already within the US and therefore not subject to future tariff implications.

2. NextPower V ESG investment team views on investment activity and USA pipeline going forward:

We continue to monitor developments regarding the imposition of trade tariffs by the US administration and the wider energy policy landscape within the USA. As a global OECD Fund, NextPower V ESG benefits from its opportunistic and flexible investment mandate within the solar PV and BESS sectors. We are used to and positioned well to respond to market conditions being able to adjust our investment approach as needed.

We continue to be cautious on development-stage projects that have yet to secure major equipment, permits and connection as we believe the associated regulatory and energy policy risks under the current market conditions remain elevated and uncertain and investors are not adequately compensated for these risks. We currently hold the same view with regards to ready-to-build (RTB) projects that we see having a high exposure to global tariff uncertainty, particularly as it relates to Chinese components. These are views that have been long held within NEC since the election outcome in November 2024.

Given this, our focus in the near term continues to be on de-risked opportunities —particularly those assets that have already secured equipment, are under construction or operational.

3. Additional considerations and US market outlook:

Despite the potential implications of the tariffs, our view is that the overall market fundamentals for USA solar PV remain strong. We continue to see continued increase in electricity demand, which is supporting upward trends in PPA and merchant power pricing.

The rapid proliferation of data centres to support AI growth and increase in electrification continues to drive demand for energy generation. AI data centres are expected to make up to 10% of global electricity with the US already hosting the largest share of global data centre electricity consumption in the past year (45%).[1] To meet this rising demand, solar energy continues to stand out as the most scalable and economically viable solution. With the lowest LCOE, currently around $36/MWh[2] and short construction lead times, utility scale solar can be rapidly deployed to match the pace of society's growing energy demand and data centre expansion.
Renewable energy is already the fastest-growing method of powering data centres with total generation projected to increase at an average annual rate of 22% between 2024 and 2030, meeting nearly 50% of the growth in electricity demand from data centres.

The financing environment remains liquid, with strong appetite from Tax Credit buyers, further supporting the construction and delivery of solar assets. We maintain a constructive view on the US market and expect these fundamentals to underpin continued investment momentum, especially in well-structured and de-risked projects.

[1] IEA, Energy and AI, 2024
[2] BloombergNEF, Levelized Cost of Electricy Update 2025

4. Wider Global Impact of Trump Tariffs on the Solar PV Supply Chain and Procurement

The solar PV industry has witnessed exponential growth over the past decade, driven by technological advancements and a global push towards renewable energy. However, the sector has not been immune to the complexities of international trade policies. The recent Trump administration's imposition of tariffs on all products imported to the United States marks a significant shift in the Solar PV market dynamics, and across the globe.

While it may still be too early to fully assess the long-term impact, our current view is that these trade measures are likely to introduce some headwinds for the solar PV sector, in contrast to the strong tailwinds that have supported recent deployment and growth across the renewable energy space.

Trump's Tariffs 2018 & 2025

In January 2018, Trump announced tariffs on imported solar panels, citing the need to protect American manufacturers from unfair competition. The tariffs were set at 30% initially, decreasing by 5% annually over four years. This move aimed to bolster the domestic solar manufacturing industry, which was unable to compete with China.

While the intention was to revive the US solar manufacturing sector, the tariffs had mixed outcomes. On one hand, some domestic, and Chinese manufacturers who set up facilities in the US experienced a considerable boost to their book order business, gaining a temporary reprieve from the price pressures exerted by lower-cost imports. For utility scale projects prices for Solar PV modules reduced from a high of $0.45-49c per watt-peak (Wp) to around $0.25-28c/Wp within 4 years. This represents a c.40% price reduction. Costs for other components and labour remains higher c>10-15% that of a comparable LCOE project prices in Europe and UK, whilst noting European and UK markets no longer rely on incentives such as the Inflation Reduction Act (IRA), introduced by the Biden administration upon entering office and shortly after the Global COVID lockdowns.

Ultimately the series of tariffs imposed by the Trump administration have largely benefited the manufacturers and investors holding operating assets – but it has come at the expense of projects being delayed and/or cancelled due to persistently high costs and constrained supply chains hampering the deliver projects in the US. Initial indications relating to the recently (Global) Tariffs imposed by the 2025 Trump administration are that the impact will be the same, if not worse.

A further point to consider is that the US has not yet created ample manufacturing facilities to meet the demands of the Solar supply chain which is a fraction of the size, in terms of Gigawatt peak ("GWp") capacity, compared to that of China currently a >4GWh/pa market. Therefore, we foresee a further delay to projects due to not only increased costs but also supply chain availability of all major components – Inverters, transformers, mounting structure, switchgear, and of course solar PV modules.

5. China's Response & Market Adaptation

China has invested heavily in domestic solar projects at GWp scale, bolstered by government incentives and subsidies aimed at promoting renewable energy within the country. By expanding its internal market, China created a buffer against the fluctuations caused by international trade policies.

Chinese solar industry has faced considerable challenges, including excess production capacity and declining profit margins. Early 2025 indications sign posted to an increased price for modules per/Wp from an all-time low of $0.09c/Wp to around $0.12c/Wp for European markets, and $0.25-26c/Wp for the USA market, as China continues to clear its over supply within its domestic market and new technologies are introduced such as back contact TopCon – which attract a price premium, and higher yield.

Following President Trump's decision to impose import tariffs exceeding 30%, particularly targeting China—there is a plausible scenario in which Chinese manufacturers of key components redirect excess sales volume to the broader EMEA region. This shift in export focus, assuming that production capacity stays the same, could result in dumping, whereby products are sold in foreign markets at below-market or below-cost prices in order to offload surplus and maintain output levels.

Concluding Remarks

In times of elevated market noise and policy uncertainty, it is important to reiterate that NEC remains focused on long-term fundamentals. As infrastructure investors and long-term market participants, we view the energy transition and decarbonisation of the power sector as an irreversible, structural trend. Our funds are designed to capture this transformation through assets with 45-year lifespans, held via 10-year closed-end vehicles. Our investment strategies aim to deliver attractive risk-adjusted returns — independent of political cycles — while supporting global climate goals.

The views expressed in this thought piece are those of NextEnergy Capital only and reflect information available at the time of writing. They are not intended as investment or professional advice and should not be used as such. The content is time-sensitive and subject to change.