



Issue Brief 1
September 2025

Lending in the New Energy Economy: Insights from Practitioners and Businesses

The landscape for energy-related lending has shifted dramatically over the past year. Appalachian Community Capital’s subsidiary company, the Green Bank for Rural America, interviewed nine community lenders and businesses across the field to capture what has changed, what opportunities remain, and how mission-driven lenders can position themselves in this uncertain environment. The goal is to provide ACC members with a broader sense of the opportunities and challenges in the current landscape. This is a summary of informational interviews, not comprehensive research.

What Has Changed Since 2024

Across the board, interviewees emphasized the disruption created by federal policy reversals, tax credit changes¹, and the apparent end of capital availability through the Greenhouse Gas Reduction Fund². The rollback of the Investment Tax Credit (ITC) and other incentives has generated confusion and deep uncertainty, particularly in solar markets. One interviewee observed that residential solar has been “really, really damaged,” while commercial projects may still have another 18–24 months before hitting the same wall. She also warned that grid reliability is declining, raising the risk of bankruptcies and layoffs if the sector stalls.

¹ This brief does not analyze in detail the effects of the *One Big Beautiful Bill* (OBBB) on clean energy tax credits. Key changes include accelerated phase-outs of the Investment Tax Credit and Production Tax Credit, new eligibility rules for foreign entities, and stricter timelines for beginning construction and placing projects in service. For more, see SEIA’s [summary](#) of the OBBB clean energy provisions and Chapman & Cutler’s [alert](#) on the Bill’s impact on clean energy tax credits. Because rules are evolving quickly, project sponsors should consult a qualified tax professional before making financing decisions.

² GGRF capital availability is tied up in litigation and will continue to be for an unknown period.

Bill Greenleaf of Locus Bank described an increase of projects as developers race to meet IRS safe harbor³ deadlines, followed by an expected slowdown by mid-2026. “Our pipeline is still moving,” he said, “but next summer we expect it to slow down.”

At the same time, rising electricity costs are creating fresh demand for efficiency and renewables. In Pennsylvania, for example, Dawn Seckler of Bridgeway Capital noted that “the cost of electricity is truly skyrocketing,” which could make solar attractive even in the absence of ITCs. She emphasized that old, inefficient buildings in the Rust Belt are ripe for renovation and energy-saving upgrades.

Supply Chain Constraints and FEOC Rules

Several practitioners raised concerns about evolving federal rules that extend beyond tax credits. Jesse McKinnell of Coastal Enterprises Inc. (CEI) pointed to the looming impact of the Foreign Entity of Concern (FEOC) restrictions, effective January 1, 2026. While taking a phased approach to incorporating domestically manufactured components is a worthwhile goal, he described FEOC as taking an exclusionary approach: projects that use equipment sourced from designated foreign entities will be ineligible for the ITC.

Large, utility-scale developers with strong balance sheets are locking up compliant equipment ahead of the deadline. Smaller commercial and community-scale developers, by contrast, may struggle to secure qualifying panels and components. McKinnell warned that this dynamic could squeeze out mid-market players and make it “really tough” for smaller community projects to pencil, even before other headwinds. The likely outcome, he argued, is a widening gap between the most sophisticated developers and smaller operators. While some remain unconcerned—assuming equipment will be available when needed—others are worried about bottlenecks, payroll risks, and stranded projects if compliant inventory runs dry.

Areas of Opportunity

Despite policy whiplash, lenders and businesses identified a range of opportunities, with energy efficiency emerging as the most reliable entry point.

Doug Coward of the Solar and Energy Loan Fund (SELF) cited the latest data from the American Community Survey, “the average home in the U.S. is now more than 40 years old, and an estimated 6.7 million households are living in inadequate conditions.”

³ In renewable energy finance, “safe harbor” refers to IRS rules that allow developers to lock in eligibility for the Investment Tax Credit (ITC) by showing that construction has “begun” before a deadline. Historically, this could be demonstrated either by incurring at least 5% of total project costs or by meeting certain physical-work tests. Once a project was “safe harbored,” it could be completed later and still qualify for the tax credit rate in effect at the time. As of August 15, 2025, IRS *Notice 2025-42* eliminated the long-standing 5% cost method for most solar and all wind projects. Going forward, only the physical-work test qualifies, with the 5% threshold retained solely for small solar facilities (≤ 1.5 MW). For more details, see <https://newsletter.cleanview.co/p/the-new-irs-clean-energy-tax-credit>

He added, “Climate impacts—such as extreme heatwaves and intensifying hurricanes—only make these problems worse. Roofs, impact windows, and HVAC systems remain the most urgent needs, and energy efficiency is generally the most cost-effective first step. Putting solar on an old, leaky house doesn’t solve the problem. Homeowners should first cut energy use by 25–30% through efficiency upgrades and repair roofs to build resilience and prepare homes to be solar-ready.”

Coward also highlighted SELF’s expanding work in disability retrofits and the growing demand for solar plus battery storage to strengthen energy resilience. Seckler noted that Bridgeway is supporting nonprofits and housing providers seeking long-term operating savings through efficiency improvements. With energy prices expected to continue rising, both emphasized that the return on investment from efficiency upgrades has never been more compelling.

Solar plus storage has also gained traction, particularly in the wake of Hurricane Helene in western North Carolina. A lending practitioner in the region noted strong demand after the storm, though the economics can be challenging. In some cases, storage projects are difficult to make pencil, but with the right utility incentives, solar plus storage could become much more attainable.

Distributed generation (DG) is another promising area. Dana Clare Redden of Solar Stewards argued that DG “shows the greatest promise, especially behind-the-meter projects.” With federal agencies blocking utility-scale permits, she expects more developers to shift toward community-scale solar and microgrids. “That’s the difference between life and death in a lot of regions,” she emphasized, pointing to resilience benefits when storms knock out power.

Alongside these sectors, interviewees pointed to new frontiers beyond solar. Maine-based ORPC, for example, is pioneering river and tidal power technologies that deliver baseload renewable electricity for rural, remote and underserved communities. Their work illustrates how CDFIs could diversify into resilient, locally generated power systems—a space with significant potential for rural America.

SELF has also created a replicable model for lenders. Its “plug-and-play” platform allows CDFIs and green banks to quickly launch consumer energy loan products without building systems from scratch. By providing inclusive underwriting, fintech infrastructure, and loan capital—along with revenue-sharing—SELF enables partners to expand lending capacity while sustaining their own operations over the long term.

Barriers and Gaps

The most commonly cited barrier was uncertainty—about tax credits, compliance rules, and capital availability.

Working capital is a persistent challenge. One business owner explained that developers can often struggle with liquidity during project installation. Project capital is out there, he said, but corporate working capital can be difficult. For instance, one lender recently changed milestone payments to the tail end, increasing the carry, which created a substantial challenge. This gap represents an opportunity for CDFIs: by offering flexible working-capital loans, they can help bridge liquidity crunches and keep otherwise viable projects moving forward.

Credit risk is another hurdle. Greenleaf noted that Locus Bank’s credit committee is more cautious about making larger loans to new solar developers compared to seasoned housing developers. The result is that good projects face more challenges getting approved because the borrower lacks a track record.

Efficiency projects bring their own complexity. As one practitioner explained, these upgrades often involve a whole network of contractors—HVAC, lighting, electrical, windows, and more—rather than a single “efficiency contractor.” That makes energy audits and technical assistance essential, but also resource-intensive.

Nonprofits face unique obstacles navigating elective pay⁴ rules and accounting for tax credits. As one lending practitioner observed, for a lot of small nonprofits, the cost of hiring an accountant can eat away at their savings.

Tools and Supports Needed

Interviewees identified a consistent set of tools that could help fill these gaps. Loan loss reserves and guarantees can mitigate perceived risk, with Greenleaf pointing to the Community Investment Guarantee Pool (CIGP) as a promising model. Bridge loans could help projects comply with safe harbor rules. Patient, long-term capital that recognizes predictable revenue streams—such as Power Purchase Agreements (PPAs) and Renewable Energy Certificates (RECs)—would allow developers to leverage those contracted and market-based cash flows as collateral. Notably, some organizations like Solar Stewards reframe RECs as “social RECs,” emphasizing their role in channeling renewable energy revenues directly into community benefits.⁵ Technical assistance for borrowers—especially around energy audits and tax credit structuring—was cited as critical, as were partnerships with contractors to align financing with real market demand.

Silver Linings and Local Resilience

Despite the challenges, interviewees also described reasons for optimism. Redden sees renewed focus at the local level: “Communities are resilient. They’ll find a way to make it happen, even if it’s not at the scale we once imagined.” She stressed that not all companies are abandoning climate commitments, and that smaller projects may ultimately have greater benefits.

⁴ *Elective pay* (or “direct pay”) is a mechanism created under the Inflation Reduction Act that allows tax-exempt organizations—such as nonprofits, schools, and local governments—to receive clean energy tax credits as a refundable payment from the IRS, even though they do not owe federal tax. While this option remains available under current law, its value hinges on the continued existence of the underlying tax credits. If those credits are scaled back or eliminated through new legislation, elective pay would become irrelevant.

⁵ Renewable Energy Certificates (RECs) are tradable credits that represent the environmental attributes of power generation and can be sold to utilities or other buyers. Solar Stewards, led by Dana Clare Redden, has pioneered a “social REC” model, directing the full value of these certificates into community benefit agreements with schools, nonprofits, and local organizations, thereby linking renewable energy finance to measurable social impact.

Coward underscored the economic development potential: “We haven’t just financed \$56 million in projects and helped 12,000 people—we’ve created \$56 million of business for our contractors. We’re a clean economic engine.”

Seckler echoed the importance of normalizing efficiency lending: “If you buy a car with better miles per gallon, you’re saving money. Why should upgrading a building be seen any differently?”

Conclusion

The transition to a new energy economy is in flux. Federal retrenchment has created real barriers, but demand drivers—from rising electricity costs to storm resilience needs—remain strong. For CDFIs and mission-driven lenders, the path forward will require creativity, partnerships, and patience. Opportunities lie in efficiency, distributed solar, and storage, especially when paired with affordable housing and community facilities. Emerging technologies such as marine, geothermal, and biomass energy also represent promising frontiers that can diversify local energy systems and provide new avenues for community-scale investment. With the right tools and collaborations, lenders can help communities navigate uncertainty and build a more resilient energy future.

-Compiled by Andrew Porter of Stepping Stone Partners for the Green Bank for Rural America.