ENERGY

Clean Energy Distress Market Landscape:

Navigating Shifting Dynamics and Supporting Operators Through Volatility

Market Trends and Macroeconomic Shifts

Over the past decade, the clean energy sector experienced exponential growth, buoyed by historically low interest rates, favorable policy tailwinds and unprecedented investor enthusiasm. Between 2015 and 2023, investment in clean energy exceeded $11.7 trillion — outpacing fossil fuel investment by approximately 25 percent. This rapid capital influx led to significant return compression, with many projects underwritten on low single-digit return assumptions that assumed flawless execution and policy consistency.

However, this high-growth era has given way to a more turbulent environment. Key macroeconomic and policy shifts have reshaped the market paradigm:

Rising Interest Rates: A higher cost of capital has dramatically altered project economics.

Policy Reversal and Uncertainty: Regulatory support has eroded at both federal and state levels, particularly under the Trump administration. Key programs, such as DOE loan guarantees and tax incentive regimes, are under review or at risk.

Tightening Capital Markets: Lenders and tax equity providers are now more selective, often favoring later-stage, de-risked projects, and pushing more working capital requirements back onto developers.

As a result, the sector has pivoted from aggressive expansion to a new phase focused on operational efficiency, capital discipline and strategic restructuring.

Challenges Facing Clean Energy Operators

While investor sentiment has cooled, clean energy companies are grappling with a range of operational and financial stressors. These challenges are not dissimilar to those that impacted the oil and gas sector during its 2015–2020 downturn:

1 Financial Pressures

- **Compressed Margins:** Rising costs and static revenue models have squeezed profitability.
- **Stricter Lending Criteria**: Financing now often requires later-stage project milestones, increasing interim funding burdens.
- **Unrealized Returns**: Initial financial models were overly optimistic and failed to account for execution risk or regulatory volatility.

2 Operational Inefficiencies

- **Immature Processes:** Many organizations were scaled for growth rather than resilience, lacking efficient systems and requiring excessive headcount.
- **Uneconomic Contracts:** Legacy agreements, signed under aggressive growth assumptions, are proving burdensome — even under best-case scenarios.
- **O&M and Supply Chain Issues:** Higher-than-expected operating costs and limited visibility into non-tier-one suppliers have led to delivery delays and cost overruns.

3 Regulatory and Policy Risk

- **Permitting Delays:** Government reviews have slowed or paused construction timelines.
- **Policy Volatility:** DOE loans and tax incentives are now subject to political scrutiny, undermining underwriting assumptions.
- **Trade Impacts:** Tariff announcements have further complicated the supply chain, especially for critical components such as transformers and solar panels.

Lessons Learned and the Path Forward

The clean energy sector is undergoing a necessary recalibration, and while the transition is painful for many operators, it also presents an opportunity.

As seen in oil and gas, downturns often separate resilient companies from the rest — those that emerge stronger do so with clearer business fundamentals and more disciplined growth strategies.

Key Takeaways for Operators:

Engage Early: The sooner companies engage advisors and lenders, the more strategic flexibility they retain.

Understand Liquidity: Detailed awareness of runway and potential inflection points is essential.

Rebuild for Resilience: The path forward must be based on operational integrity, flexible cost structures and realistic financial assumptions.

Clean energy remains a critical long-term asset class. With the right adjustments, today's challenges can catalyze tomorrow's market leaders.

How A&M Supports Clean Energy Clients

Our team has deep expertise in navigating capital-intensive industries during periods of distress.

Drawing on our experience across more than $100 billion in restructurings during the O&G downturn, we are actively supporting clean energy clients in areas including:

Strategic and Operational Advisory

Cost Structure Optimization: Comprehensive reviews of SG&A and operating models to identify scalable, sustainable efficiencies

EPC and Vendor Evaluation: Analysis of contract performance, renegotiation opportunities and vendor consolidation strategies

Business Plan Reassessment: Rebuilding models based on new market realities, with contingency planning and stress testing

Financial and Liquidity Management

Cash Flow Forecasting and Controls: Implementing enhanced liquidity monitoring tools and protocols

Lender Engagement Strategy: Helping clients navigate creditor negotiations proactively to preserve options and avoid value erosion

Interim Financing and Capital Structuring: Advising on short-term liquidity solutions and strategic capital deployment

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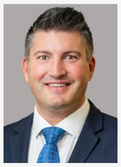

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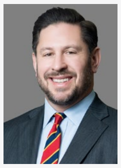

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