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Bruised but Buoyant: U.S. Energy Storage Sector Emerges From Turbulent Period of Regulatory Uncertainty

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2025 has been a year marked by caution and concern for much of the renewable energy industry in the U.S. as stakeholders waited for the passage of the 'One Big Beautiful Bill Act' (OBBBA). However, if it is possible to identify a winner from the renewables sector in the wake of the OBBBA's passing, energy storage might be it.

It is true that the OBBBA has raised valid doubts in the industry over the future of the energy storage supply chain after introducing foreign entity of concern (FEOC) rules, and in conjunction with fluctuating trade tariffs. Nonetheless, energy storage was spared the same fate as wind and solar which were impacted by a much earlier phaseout of tax credits.

Overall, the result appears less severe than feared; to this extent, it is a modest victory for a sector that has proven itself to be critical to the future of U.S. energy.

Bipartisan support for energy storage

Why is it that the energy storage industry remains quietly confident after a year of project risk profiles growing in complexity? A major source of optimism is the clear signal of recognition from both major parties in the U.S. that energy storage will play a strategic role in bolstering the nation's overall energy security.

The OBBBA leaves energy storage tax credits largely intact, along with a medium-term runway for the wind and solar industries to continue build-out with the benefit of tax credits and potentially outgrow them. At the same time, the aim to ramp up onshored battery manufacturing is gathering momentum. While the regulatory landscape puts more pressure on the sector to deliver, the space it leaves for continued development and the eventual growth of domestic supply underlines the value placed on energy storage services.

In addition, the versatility of use cases for energy storage has untethered it to a meaningful degree from the fate of wind and solar. The impetus on improving grid resilience, enabling grid flexibility, and bringing stability to power prices favors BESS projects even as decarbonization goals are deprioritized. Currently, the U.S. power market sets its price based on legacy generators that are only needed during ramp times; batteries have the advantage of facilitating this quickly, cheaply, and reliably.

Energy storage is also a beneficiary of the restructuring of U.S. energy to align with broader goals to stimulate economic development and reinforce national security. Power demand is expected to explode as the data center industry undergoes rapid expansion, bringing online more high-energy consumers with exacting power requirements. Batteries are well-positioned to play a key role in managing the challenges this poses to ensure that existing infrastructure can cope with changing needs.

Escalating supply risks

While recognition of the importance of energy storage in the U.S. energy mix brings reassurance, the industry must now adapt to more difficult development conditions, particularly when it comes to navigating the supply chain.

Historically, the booming development of energy storage in the U.S. has been heavily reliant on imports from China. Now, with new restrictions preventing entities connected to adversarial nations from accessing U.S. energy tax incentives, supply lines must be restructured. The threat of exorbitant reciprocal trade tariffs compounds the necessity of sourcing alternative supply lines in the long term.

The task of modifying a supply chain that has been so dependent on one stream of supply is difficult, and there is an urgency to achieve this before FEOC rules come into effect in 2026. These rules can be a heavy burden on the industry in view of the lack of time in which to recalibrate a supply chain as complex as battery cells.

Onshoring U.S. manufacturing has been a goal for a number of years and does not come as a big surprise to the industry — in time, it could make the industry more resilient. However, a question that remains unanswered is whether it is realistic to onshore the supply chain capacity required for a rapidly scaling sector like energy storage. The enforcement of FEOC rules as soon as next year will add pressure to supply services that are already in high demand.

Even with a pathway left open for energy storage to continue its progress, supply risks now leave the industry with a considerable hurdle to overcome before moving their projects forward.

What next?

Energy storage players that have sought to tackle the supply problem proactively by conducting extensive research into alternative suppliers over the last twelve months have had success in combining manufacturing from different parts of the world and securing an early advantage in these working relationships.

The lessons learned from solar supply struggles over recent years should prove helpful to storage developers as they revise their strategies. With manufacturing moving out of China at a remarkable pace and domestic production also advancing at a good rate to support development, the supply chains have strengthened in both reliability and agility.

One of the biggest obstacles for developers attempting to shift their plans in response to turbulence in the U.S. energy sector this year has simply been uncertainty. Prior to the passage of the OBBBA, forecasting the outlook of multiyear development projects was difficult due to the lack of clarity over what level of support projects could

expect to receive. The arrival of more legislative certainty — even when it is not overwhelmingly positive for the industry — enables developers to lay solid foundations for their projects, and establish cost transparency to attract investors.

Armed now with more certainty and the bipartisan recognition that it is an essential part of the U.S.' energy infrastructure moving forward, energy storage has emerged from a year of turbulence in the renewables sector as a relative 'winner'. Though bruising, the OBBBA has left developers in a position to tackle increased risks with cautious optimism and tax credit support through to 2033.

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