

Tariffs and Solar Energy: A Resilient Industry Navigating New Uncertainty

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Aug 19, 2025  9 min read

Summary

- Domestic solar production saw record-breaking growth in 2024 despite tariffs and other trade restrictions under both the Obama and Biden administrations to encourage domestic production.
- Decreasing reliance on global supply chains vulnerable to market and policy changes will help domestic solar manufacturing continue its promising growth.
- The US solar industry can find creative ways to navigate a reduction or elimination of the IRA tax credits, such as stockpiling supplies, negotiating existing contracts, and employing tariff-triggering protections in new contracts.



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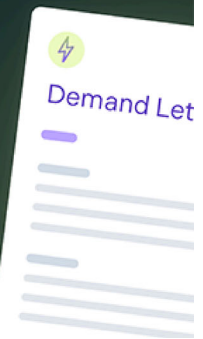
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The recent announcements and imposition of tariffs on billions of dollars of goods imported by the United States, as well as reciprocal tariffs announced by countries and other governing bodies across the world, have created an uncertain future for many industries. The energy sector is not immune, as the Trump administration seeks to bring critical infrastructure manufacturing back home. At the same time, the Trump administration's America-first policy initiatives present a unique opportunity for energy manufacturers to reposition themselves in both global and domestic markets. The solar energy industry is at a unique crossroads. Domestic solar production saw record-breaking growth in 2024, building on years of an expanding footprint. And although the American solar energy industry continues to rely on a globalized supply chain for components critical to the domestic manufacturing of solar panels, US manufacturers have made significant progress toward satisfying domestic solar demands.

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Now, the solar energy industry (among many industries) finds itself once again reckoning with new tariffs, as well as other potential policy challenges. The Trump administration has demonstrated an interest in bolstering the American fossil fuels sector through various Executive Orders and other policies and initiatives. Further policy shifts may include the removal of grants for renewable projects and the elimination of tax credits under the Investment Reduction Act for renewable energy projects.

But history tells us that the solar industry has proven to be particularly resilient in the face of policy challenges. In fact, beginning in 2012, when President Obama implemented tariffs affecting the import of critical components to the solar industry, and as subsequent administrations have imposed greater tariffs or other nontariff restrictions, the American solar industry has only continued to grow.

In the face of any new environment, companies benefit from assessing ways to not only mitigate risks, but also look for unexplored avenues of growth, by proactively evaluating everything from contract structure to materials procurement to strategic lobbying efforts. This article provides a brief overview of the current tariff landscape, explores how the solar industry has fared amid past tariffs and other trade restrictions, and lays out some strategies for solar players to both manage uncertainty and leverage opportunities for continued growth.

Current Status of Tariffs and New Policy Initiatives

Following President Trump's inauguration, the United States has imposed new or expanded existing tariffs and announced potential future tariffs on many imported goods. The policy goals are clear: bring manufacturing home to the United States, protect American jobs, and grow the US economy, while striking a more favorable trade balance with foreign partners. A brief summary of the current landscape is set forth in the table below ¹ :

Subject	Amount	Effective Date	Notes
Canadian Goods	25% non-energy; 10% energy	March 4, 2025	USMCA noncompliant goods; subject to exemptions

Mexican Goods	25%	March 4, 2025	USMCA noncompliant goods; subject to exemptions
Steel & Aluminum	25%	March 12, 2025	
Autos	25%	April 2, 2025	Exceptions announced April 29, 2025*
All goods (reciprocal)†	10%		
Chinese goods‡	145%	April 10, 2025	Current aggregate amount, including 125% reciprocal rates

* 2

† 3

‡ 4

Ultimately, currently imposed and anticipated tariffs could affect \$2.3 trillion of imports.

⁵ In response, countries and jurisdictions, including Canada, China, and the European Union, have threatened or imposed retaliatory tariffs on American goods, including steel, aluminum, coal, oil, and agricultural products. ⁶ With that said, President Trump's imposition of tariffs has brought countries to the negotiating table, resulting so far in a new trade deal with the United Kingdom and a mutual partial suspension of tariffs with China. ⁷

Impacts to the Solar Industry

Historically, under growing tariffs, the solar industry not only has survived but, in ways, has thrived. Beginning in 2012, the Obama administration first set duties of roughly 36% on the import of Chinese solar cells and panels. In 2018, President Trump imposed Section 201 tariffs on an annually decreasing scale on solar panels produced outside of the United States, with the goal of supporting domestic manufacturers. However, under the first Trump administration, the US solar industry grew by 128%, reaching enough installed capacity to power 17 million homes. ⁸ President Biden extended the solar panel tariffs in 2022 for another four years, ending in 2026. Also in 2022, Congress passed the Inflation Reduction Act (IRA), which instituted a 30% tax credit for solar photovoltaic systems through 2032 and manufacturing incentives to stimulate domestic component production. ⁹

The past decade of policy initiatives culminated in 2024 being a year of record growth for the solar industry, as solar manufacturing capacity exceeded 31 gigawatts, an almost fourfold increase since 2022. ¹⁰ Both solar module and solar cell manufacturing grew at remarkable rates, inching America closer to independently meeting all domestic solar

energy demand.¹¹ Twenty-one states set new annual solar installation records, and nearly 1.5 million American homes have installed solar since 2022.¹²

The question now, however, is how the solar industry will respond to not only new tariffs, but other potential trade restrictions. The Trump administration has signaled its support for the fossil fuels sector, encouraging natural gas, coal, and oil production through a series of executive orders. Executive Orders 14,156 (Declaring a National Energy Emergency),¹³ 14,154 (Unleashing American Energy),¹⁴ and 14,264 (Reinvigorating America's Beautiful Clean Coal Industry)¹⁵ each aim to remove barriers (like strenuous permitting requirements and environmental regulations) to the extraction and production of domestic fossil fuels. To that point, President Trump signed a day-one executive order to lift restrictions on drilling for oil in Alaska and its arctic coast.

Amid Uncertainty, the Solar Industry Fights to Maintain Its Growing Foothold

Despite ever-increasing tariffs over the past decade and the normal policy shifts that come with a change in administration, the domestic solar energy industry has continued to fight for its spot at the table. Take, for example, the request for circumvention brought by Auxin Solar in February 2022, in which the California-based solar panel manufacturer submitted a petition to the US Department of Commerce alleging that Chinese solar manufacturers were circumventing antidumping and countervailing duty (AD/CVD) orders in place against Chinese-origin solar cells and modules by building portions of the components in Cambodia, Malaysia, Thailand, and Vietnam. These components were then shipped out as second-country-origin products (from Cambodia, Malaysia, Thailand, and Vietnam), allegedly in an effort to circumvent tariffs and enable the Chinese manufacturers to maintain their global market share. The case led to significant disruptions in solar development cycles as a large share of projects in the United States were unable to confidently project capital expenditures during the pendency of the litigation.

More recently, in April 2024, an alliance of seven US solar manufacturers, led by First Solar and QCells, filed a petition with the US Department of Commerce seeking antidumping and countervailing duties. On April 21, 2025, the Department of Commerce announced its Final Affirmative Determinations, listing AD rates of 125.37% and CVD, or anti-subsidy, duty rates of 3,403.96% on imports of crystalline silicon photovoltaic cells and modules from Cambodia; 81.24% AD rates and 168.80% CVD rates from Malaysia; 202.90% AD rates and 799.55% CVD rates from Thailand; and 271.28% AD rates and 542.64% CVD rates from Vietnam.¹⁶

That fighting spirit remains alive and well. The demand for solar energy is projected to continue rising, with consumers and corporations alike investing in clean energy initiatives. For example, Blackstone, a private equity firm, announced in February 2025 that it was dedicating \$5.6 billion to energy transition efforts.¹⁷ At the same time, solar energy industry groups like the Solar Energy Industries Association are amplifying messages from individual US solar companies to lobby for a policy agenda aimed at boosting American solar manufacturing and job creation and encouraging clean energy investing. US firms also are seeking to attract additional foreign investment in the domestic solar industry, hoping to build upon key investments such as that of Korean-based Hanwa Solutions, which announced in 2023 a \$2.5 billion investment to expand its solar manufacturing facilities in Georgia.¹⁸

More recent lobbying efforts have targeted Congress, specifically the House of Representatives' Ways and Means Committee, as it works on the draft tax bill that will determine the fate of some of the tax credits provided for under the IRA. While there remains support in Congress to keep in place at least some tax credits provided under the IRA, including the solar energy tax credit,¹⁹ draft legislation advanced by the Ways and Means Committee on May 18, 2025, calls for the repeal of solar credits after December 31, 2028.²⁰ Should this legislation come to fruition, solar credits would be entirely phased out on an accelerated timeline when compared to the IRA's current phaseout of tax credits by 2035. Such a change would require those in the solar industry to begin contingency planning sooner than perhaps anticipated. Congress still has much to do to advance the draft tax bill, and it is expected that US solar firms and industry associations will significantly ramp up lobbying efforts, targeting members of Congress in both the House and the Senate who have been supportive of the IRA's energy tax credits. Once the bill passes the House, it will be sent to the Senate for debate and consideration, which should take up much of the next month or so. This timeline provides a potentially limited window for lobbying efforts to promote the extension of the solar tax credit.

Given that the IRA presently provides tax credits of up to 30%, or more in certain situations with available "adders" credits, solar industry participants should closely monitor the ongoing proposed legislation regarding the IRA. Whether the solar industry's growth in the midst of tariffs has been backboned by IRA tax credits remains to be seen. But it is the solar industry's flexibility that has contributed to its record growth in the face of a decade-plus of tariffs and other nontariff trade restrictions. This demonstrated adaptability should provide some optimism that the solar industry can find creative ways to navigate a reduction or elimination of the IRA tax credits.

Strategies to Mitigate Uncertainty

Aside from monitoring and possibly joining lobbying efforts, solar energy manufacturers can employ a number of other forward-looking strategies to not only mitigate uncertainty, but also take advantage of the current trade landscape.

Evaluate Current Supply Chains. President Trump has placed a 90-day pause (set to end in early July) on the imposition of reciprocal tariffs on many countries, including a mutual partial suspension of tariffs with China.²¹ At the same time, the administration is negotiating trade deals with dozens of countries to improve trade imbalances and address trade barriers. Now is a great time for companies potentially affected by tariffs to map out their current and potential sources of supply, both foreign and domestic, including associated costs and potential price increases. While domestic sourcing may potentially bring higher up-front prices, companies should weigh the benefits of domesticating their supply chains. Higher domestic prices may be mitigated by tariffs on imports of the same goods, and domestic sourcing can shorten supply chains, thus saving on shipping costs and avoiding potential delays. Of course, domesticating supply chains also promotes American jobs, a top priority of any administration.

For example, American solar manufacturing facilities now number in the hundreds across at least 43 states and are increasingly becoming a viable option for solar energy companies.²² Running a comprehensive cost-benefit analysis can help identify ways in which companies can prepare for rising costs in traditional solar module markets.

Stockpiling Supplies. While reciprocal tariffs are paused, companies that require large quantities of the same goods might consider stockpiling key raw materials and component pieces. Should prices increase in the future, companies can position themselves now to mitigate increasing costs with an existing inventory. Companies also may find they later can sell their stockpiles without financial loss should their specific need for the key components decline or if shortages drive up prices to the extent that sales reap dramatic revenue.

Negotiate Existing Contracts. In many ways, new projects are partnerships, with all key stakeholders focused on a successful project that finishes on time and on budget. Tariffs imposed after contracts are executed may certainly bring concerns over rising costs, and owners, contractors, or suppliers may seek to shift all risk. But should tariffs affect the price of materials for a specific project, those impacts need not sour relationships or bring projects to a halt. Developing creative strategies for all key stakeholders to share in any potential cost increases can maintain the “partnership” and keep the project on track.

Employ Protections in New Contracts. Companies exploring new projects have the benefit of several months of history and understanding of how tariffs may affect their specific businesses and supply chains. Thus, companies should consider contractual

protections against costs resulting from existing or potential tariffs. For example, parties may expressly allocate which party bears responsibility for tariff-related costs or impose a cost-sharing mechanism that will apply to any existing or future tariffs. While the actual amounts will remain uncertain, parties can take some comfort in knowing they will not bear the full brunt of any cost increases. Further, explicitly designating which party is the importer of record may help to remove uncertainty as to who is responsible for importing arrangements, including payment of customs duties. Parties should be open to creative solutions to build tariff costs into contract pricing schemes.

Parties also might consider provisions that allow for price renegotiation upon a tariff-triggered event. For example, if new tariffs, duties, or similar charges are imposed after contract execution that cause costs to grow over a certain threshold, the parties can renegotiate pricing in good faith without substantially disrupting project progress.

Endnotes

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