

ANALYSIS OF THE UNITED STATES RESTRICTION OF SOLAR AND WIND SUBSIDIES AND ITS GLOBAL IMPLICATIONS





Introduction

The United States, under the Trump administration, announced new guidelines aimed at tightening federal tax credit eligibility for renewable energy projects, particularly solar and wind. Previously, developers could qualify for tax incentives by meeting the “5% safe harbor” threshold, where an initial expenditure covering just 5% of a project's total cost was sufficient to secure subsidies. Under the new framework, however, large-scale projects must now demonstrate significant physical construction work to qualify, with the exception of smaller systems below 1.5 MW that are allowed to retain the 5% expenditure method. This policy shift signals a deliberate recalibration of U.S. energy policy, moving away from incentivizing rapid renewable growth, towards stricter regulatory control. The decision has provoked widespread debate, with domestic investors, clean energy advocates, and global energy stakeholders; raising concerns about its implications for renewable adoption both in the United States and globally.

The United States Policy Shift on Restriction of Solar and Wind Subsidies

The U.S. Treasury Department has unveiled stricter rules governing how solar and wind projects can qualify for federal tax subsidies, which President Donald Trump's new tax and spending law is set to phase out over the next two years. At the heart of these revisions is a change in the definition of what it means for a project to be considered “under construction.” Whereas developers once needed only to show that they had invested a portion of capital to secure credits, they must now complete demonstrable physical work on projects, such as installing turbines or laying foundation, before qualifying for subsidies.

Under the new rules, effective from September 2, utility-scale renewable projects are required to show substantial and continuous physical construction work to be eligible. Developers will still have four years to claim the subsidies, but the pathway to securing these incentives is significantly narrower. This represents a major departure from the “safe harbor” mechanism of the last decade, which allowed developers to reserve subsidy eligibility for four years; by incurring at least 5% of total project costs before the credits expired or stepped down in value.

These changes place greater pressure on large-scale solar and wind developers, who must now advance into construction before financial certainty is guaranteed. For smaller-scale solar projects, particularly those under 1.5 MW, the traditional expenditure-based qualification remains

intact, providing some relief to community and residential energy initiatives. Nonetheless, the broader impact of this policy is clear: the U.S. government is tightening the subsidy framework in a way that could slow investment momentum in large renewable infrastructure projects.





Global Implications of the United States Solar and Wind Subsidy Restrictions

The U.S. decision to restrict solar and wind subsidies goes beyond domestic borders, influencing international renewable energy trends and financing flows. Several key global implications stand out, particularly for Africa's emerging clean energy sector:

1. Reduced U.S. Leadership in Clean Energy

The U.S. has historically been a benchmark for renewable energy policy frameworks. By scaling back subsidies, it risks weakening its credibility as a global leader in climate action. This vacuum could embolden fossil-fuel-heavy policies in other countries, including African nations still debating the extent to which they should prioritize renewables over hydrocarbons.

2. Financing Challenges for African Projects

Renewable developers in Africa often depend on global financing mechanisms and investor confidence shaped by policies in leading economies like the U.S. Stricter U.S. subsidy rules may raise risk perceptions in the financing of clean energy globally, potentially leading to more conservative lending practices that could slow down project deployment in Africa.

3. Trade and Competitive Disadvantages

With U.S. developers facing higher compliance thresholds, the global cost competitiveness of renewable technologies may shift. African

nations looking to import U.S. expertise, technology, or financing may find themselves at a disadvantage compared to those aligning with countries, such as members of the EU, that continue to provide strong subsidy support for clean energy.

4. China's Expanding Influence

The restrictions of the U.S. policy creates opportunities for China, which remains aggressive in financing renewable energy projects globally, especially in Africa. China could step in to fill the investment void left by the U.S., thereby strengthening its geopolitical influence across African energy markets.

5. Impacts on Energy Access and Affordability

For Africa, where over 600 million people lack reliable electricity access, renewable energy remains central to sustainable electrification strategies. Any disruption to global financing trends or cost dynamics, partly triggered by U.S. retrenchment, risks slowing down momentum towards universal energy access. This could entrench reliance on expensive and polluting fossil fuels in the short term; thus slowing down energy access and transition targets.

6. Indirect Inflationary Pressures

By undermining renewable capacity growth, U.S. policy could drive up domestic energy costs, with potential ripple effects on global power markets. Africa, as a net energy importer in many regions, may face higher technology costs and energy prices, further complicating its efforts to scale renewable adoption affordably.



Conclusion

The Trump administration's tightening of rules governing solar and wind subsidies reflects a decisive departure from policies designed to accelerate clean energy adoption. While some smaller-scale projects remain protected, large-scale developers face steeper compliance burdens and shorter timelines, potentially dampening long-term renewable expansion in the U.S. Globally, this policy shift risks slowing financing flows, undermining U.S. leadership in renewable innovation, and reshaping competitive dynamics in the sector.

For Africa, the implications are both cautionary and opportunistic. Although the policy may constrain financing and raise risks for renewable investments, it also opens the door for alternative partners such as China to consolidate their position as energy investors on the continent. African policymakers must, therefore, adopt diversified financing strategies, strengthen regional energy collaboration, and avoid overreliance on single external partners in order to safeguard progress towards sustainable energy access and climate resilience.

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