Americas

Inflation Reduction Act 2.0: Assessing potential implications of November election

With the upcoming US election less than four months away, a key investor debate remains on what may happen to a key piece of climate legislation, the Inflation Reduction Act (IRA). This legislation has catalyzed spending, profit-enhancing incentives, and job creation across multiple industries and corresponding supply chains, yet there remains concern around the potential for the IRA to exist in its current form, or at all, if a Republican victory were to occur. While we take no view on the outcome of the election, we provide a framework sensitizing multiple scenarios looking at what could happen to the IRA under different election outcomes based on public commentary from both political camps. We outline specific implications across multiple covered sectors, including Clean Technology, Autos, Energy Services, Utilities, US Multi-Industry, and Chemicals. **Ultimately, we identify the top 10 companies most exposed to IRA incentives based on % of earnings attributable to IRA incentives. Given this exposure, we examine how each of these individual equities could be impacted by changes to the IRA.**

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PM Summary: Assessing potential outcomes for IRA and what it could mean for risk-reward across select stocks

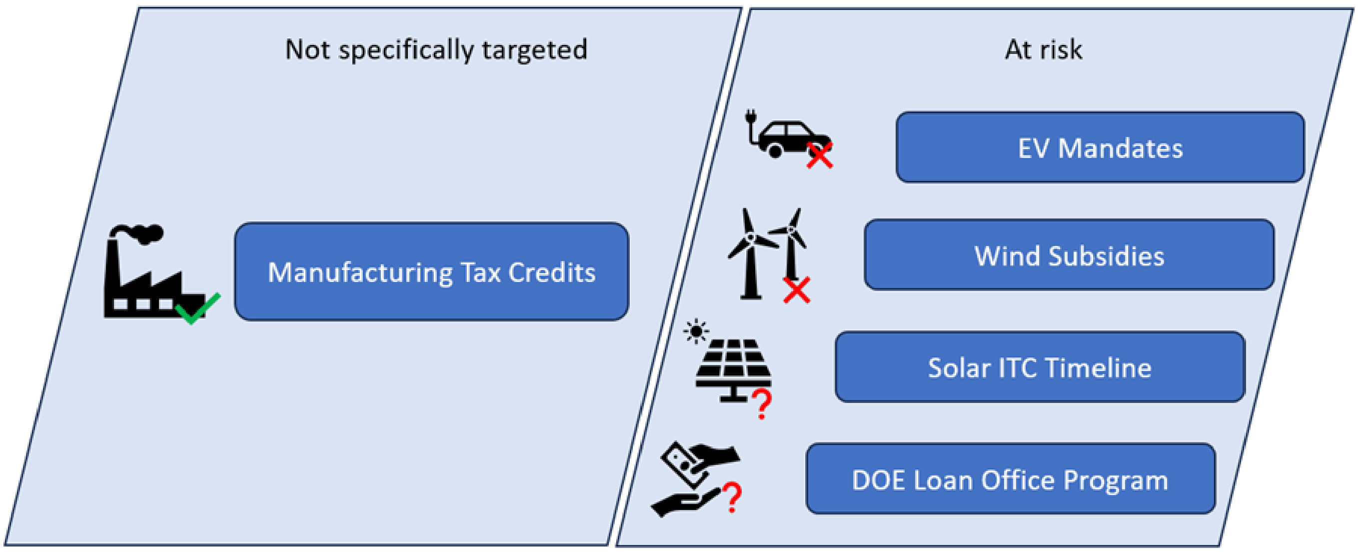
In this report, we highlight three potential outcomes for what we believe could transpire as it relates to the Inflation Reduction Act, dependent on the results of the US election, while noting that scenarios outside of our framework are possible as well.

- **Scenario 1:** Democrats win the White House and the IRA remains intact.
- **Scenario 2:** Republicans win the White House and control of Congress and fully repeal the IRA.
- **Scenario 3:** Republicans win the White House and repeal certain aspects of the IRA. Our assessment focuses on public commentary targeting specific aspects of the IRA, including wind subsidies, electric vehicle (EV) mandates, and other

focus areas.

Regarding Scenario 3, public comments by the Trump team have focused mostly on EVs and wind power (discussed in more detail below). That said, we also believe there is potential whereby a Trump administration could consider claiming large tax savings without actually impacting current developments, such as reducing tax credit timelines or limiting the DOE loan office. Conversely, we view manufacturing incentives as a key item both parties could seek to maintain given the implications for energy independence and job creation, among other potential domestic benefits.

Exhibit 1: Based on public discourse, we highlight IRA benefits that could be most at risk under a new administration
Possible elements of the IRA that could be subject to a change with a new administration



Source: Goldman Sachs Global Investment Research

Across our US coverage, we examine stocks that we believe have the most significant leverage to the IRA legislation, whether currently or prospectively. We then sensitize across this universe of companies to identify the top 10 stocks that have the most attractive risk-reward profiles across the stocks dependent on changes to the IRA given the quantifiable impact to earnings. Our top 10 list is highlighted in (Exhibit 2).

Exhibit 2: We highlight 10 stocks across Americas Coverage that have the most exposure to IRA incentives based on % of earnings attributable to IRA

Top IRA exposed names based on profitability exposure across Americas Coverage

Industry	Company	Ticker	Mkt. Cap	Price	12-mo PT	Upside/ Downside	Analyst	Rating	IRA (EPS/stock) Exposure
Clean Technology	First Solar	FSLR	22,942	$225.23	$302	34%	Brian Lee, CFA	Buy	●
	Enphase*	ENPH	15,510	$103.59	$165	59%	Brian Lee, CFA	Buy	◕
	Array Technologies	ARRY	1,695	$9.44	$21	122%	Brian Lee, CFA	Buy	◕
	SolarEdge	SEDG	1,525	$26.87	$25	-7%	Brian Lee, CFA	Sell	●
	Nextracker	NXT	7,298	$48.32	$72	49%	Brian Lee, CFA	Buy	◕
Chemicals	Air Products & Chemicals	APD	57,866	$254.70	$291	14%	Duffy Fischer	Buy	◔
Energy Services	Quanta Services	PWR	38,414	$254.79	$286	12%	Neil Mehta	Buy	◔
US Multi-Industry	GE Vernova	GEV	48,619	$172.98	$196	13%	Joe Ritchie	Buy	◑
Utilities	NextEra	NEE	142,295	$72.12	$81	12%	Carly Davenport	Buy	◕
Autos & Industrial Tech	Tesla	TSLA	880,198	$262.33	$248	-5%	Mark Delaney, CFA	Neutral	◑

*denotes stocks on Americas CL

◔ Less than 5% ◑ 5% to 25% ◕ 25% to 50% ● Greater than 50%

Closing prices as of July 15, 2024

Source: Goldman Sachs Global Investment Research

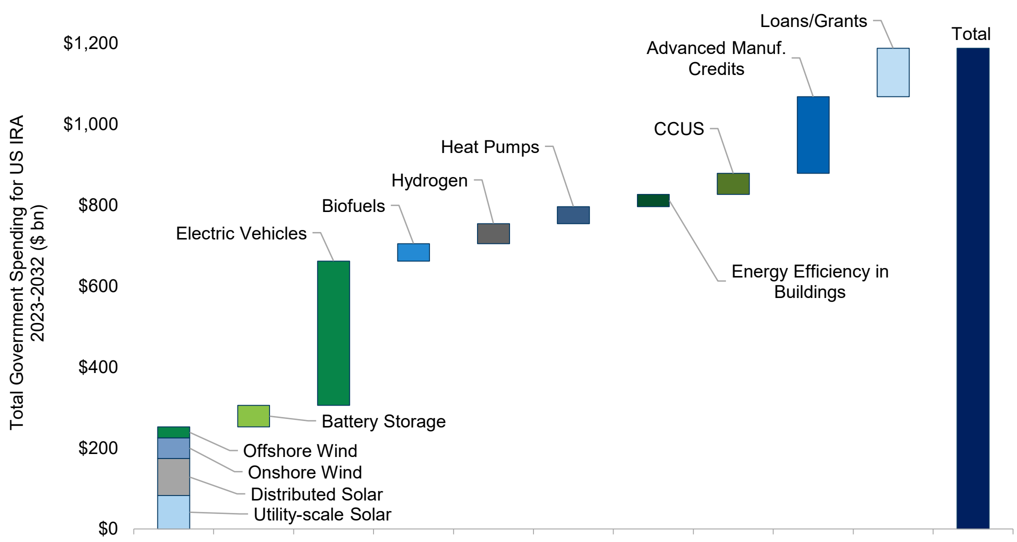
Scenario 1: IRA intact

Heading into the US elections later this fall, a key debate amongst investors revolves around the potential outcome for President Biden's IRA legislation, especially since the Republican candidate, former President Donald Trump, has made multiple public comments regarding how he may revise/revoke many aspects of the IRA, if elected (discussed below). Notably, the passage of the IRA has been a major catalyst for renewables in the country, with McKinsey & Co. recently estimating that the IRA has directed nearly $400bn in federal funding to the clean energy sector (link) in addition to stimulating significant private clean energy investments since its passage in August 2022. The legislation has also provided a supportive policy environment to facilitate the onshoring of several manufacturing industries, driving job creation and boosting investments across the entire clean energy value chain.

In our sensitivity framework, Scenario 1 contemplates the IRA legislation remains intact, which we believe would correspond most closely with a Democratic victory in the Presidential election, though we note that there are likely other scenarios in which the IRA could remain intact even in the absence of a Democratic President remaining in the White House. In Scenario 1, we believe the numerous tax incentives in the IRA, such as production/investment credits and domestic content adders, should continue to spur significant investments across the clean energy spectrum, with the pipeline estimated at 325 clean energy manufacturing projects valued at ~$125bn (link) since the passage of the IRA.

Exhibit 3: We expect the provisions in the US IRA to generate almost $1.2 tn in investments by the US government in 2023-2032

Cumulative government spending for US IRA climate provisions in 2023-2032; $ bn



Source: US Department of Treasury, Congressional Budget Office, Goldman Sachs Global Investment Research, GSsustain

Scenario 2: IRA repealed

In Scenario 2, we assess what could be included in a full repeal of the IRA as well as potential implications. During his last Presidential term, Donald Trump replaced former President Obama's Clean Power Plan with his Affordable Clean Energy rule and also rolled back more than 100 environmental rules. Given Donald Trump's vocal opposition to the IRA and this aforementioned historical precedent, we believe investor concerns remain elevated when it comes to the potential for Donald Trump to take similar actions against the IRA. Technically, a full repeal of the IRA is feasible as an act of Congress, meaning a Trump election victory as well as Republican majorities in the Senate and the House would likely be required.

What could be included in a complete repeal of the IRA?

- The IRA outlined nearly $400bn in federal funding, including ~$265mn in tax credits across several verticals such as clean energy production, manufacturing components, EVs, and bonus incentives. Importantly, GS has estimated that the IRA is expected to unlock $1.2tn worth of incentives by 2032, with half of this delta related to EV tax credits, ~20% due to manufacturing (45X) tax credits and ~10% from clean electricity credits.
- Outside of specific IRA tax credits, the DOE Loan Program Office (LPO) could also be at risk. The IRA not only increased the LPO funding availability to ~$350bn, it also broadened the projects that are eligible for funding. As of April 2024, the LPO has an estimated remaining loan authority of $217bn, including $72bn for Title 17 Clean Energy projects. While Donald Trump hasn't specifically discussed the removal of the DOE LPO, he unsuccessfully tried to eliminate the LPO during his last Presidential term.

What could be the implications to various sectors with leverage to the IRA?

- We believe one of the most meaningful impacts from a full IRA repeal could be heightened market uncertainty that weighs on demand. According to Rhodium Group, private investments have exceeded tax credits by more than 500%. Project developers are likely not going to risk investments in an ambiguous regulatory environment and could shift strategies just as quickly as they did after the IRA was announced.
- Since being signed into law in August 2022, the IRA has driven an influx of demand. However, companies have only recently started to realize financial benefits due to delays on final guidance for various tax credits and the time it takes to build out manufacturing capabilities as well bring larger projects online. We break down specific categories and potential implications below.
- Manufacturing (45X credits)
  - We believe that companies pursuing manufacturing capabilities in the US could be most impacted over the near and medium term, regardless of whether they were building their own facilities or utilizing contract manufacturing. While companies that leverage contract manufacturing may

incur slightly lower costs related to relocating operations, those pursuing their own manufacturing capacity would have benefited from receiving the entirety of tax credits rather than sharing it and also likely received investment tax credits (48C) to support initial investments. We have previously estimated that the manufacturing credits can represent >40% of the cost for solar panels, 20%-50% for inverters, 15%-20% for trackers, and 10%-15% for batteries.

- Solar installers, developers, utilities, and IPPs (ITC)
  - The federal solar tax credit or the investment tax credit (ITC) has been extended several times in the past and was most recently expected to expire at the end of 2024. However, the IRA increased the ITC to 30% from 26% and extended the credit through 2032 before stepping down to 26% in 2033 and 22% in 2034 and expiring in 2035. This ITC not only helps support incremental demand for renewables, but has also become more relevant to installers and developers due to the transferability of the tax credits. The removal of these credits, should this occur, could meaningfully weigh on demand through less advantageous project economics, as well as eliminate the ability of installers to monetize credits.
- Electric vehicles
  - The IRA extended prior EV credits of up to $7,500 per vehicle to support the continued expansion of the EV supply chain. While the IRA removed the threshold for manufactured vehicles (only those producing less than 200,000 EVs to date would qualify), it introduced a domestic content requirement for critical minerals and battery components to receive the full credit. Additionally, the IRA added credits for used EVs as well as commercial EVs. Lastly, EV manufacturers can take advantage of 45X credits of up to $45/kWh for batteries, or ~$2,700 per vehicle for a 60 kWh pack. In a situation where these credits were repealed, this could meaningfully weigh on demand for EVs in the near term.

Scenario 3: IRA revised - What could change?

While Scenarios 1 and 2 explored the absolute outcomes of IRA remaining intact or completely going away, investor feedback since the beginning of the year would suggest some level of softening of the view that the IRA will be repealed in its entirety and, in this context, we believe some middle-ground scenario of certain aspects of the IRA remaining intact and others being more at risk is becoming more of a consensus view. That said, the uncertainty of what this could ultimately look like remains a significant overhang, in our view. To that end, we base Scenario 3 on a view that IRA will be revised, with public commentary by Donald Trump around specific IRA elements that have been targeted, or not, providing the primary basis for the last scenario in our framework analysis. Notably, Donald Trump has spoken against certain elements of the energy transition and the IRA generally (more details below), including EV credits and mandates as well as wind subsidies, but has not explicitly discussed manufacturing credits.

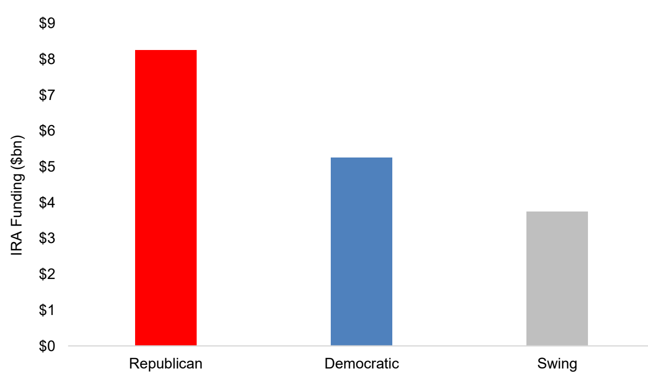
What appears to be areas of focus in the IRA?

- Based on Donald Trump's commentary, we note the following items regarding IRA incentives may be areas of focus by the Trump administration if it wins the upcoming election.
- EV credits and mandates
  - While EV credits appear to be on Donald Trump's radar, he has not publicly stated that he wants to eliminate these credits if he were to become President. We note at a Georgia republican convention last year, he criticized EV charging times. We also highlight that during Donald Trump's term in office, he unsuccessfully tried to end EV tax credits in his 2020 budget. We believe these credits could appear to be at some risk when considering that he has separately stated during a December rally in Iowa that he would end EV mandates.
  - One of the requirements to receive the full EV tax credit within the IRA is 50% of the value of certain critical minerals in an EV battery needs to be sourced/processed in the US or a trade partner country in 2024 (increasing by 10%/yr through 2027). Importantly, foreign companies could still find ways to receive the critical material tax benefits despite these restrictions. According to the Biden administration, a foreign company is characterized by being incorporated/headquartered outside of the US and has 25% of the board seats or equity interest held by that nation's government. If a company falls outside of these criteria it could receive tax credits from the US, which is one aspect that Donald Trump and other Republicans have stated they oppose. Outside of the IRA, President Biden issued tailpipe pollution limits through the EPA allowing companies to comply with a light vehicle BEV mix ranging from 31%-44% in 2030. There are reports that emission rules were one of the environmental policies Donald Trump discussed with oil executives during a private meeting in April, but this remains outside the scope of the IRA, and thus this report.
- Wind subsidies
  - Donald Trump's prior statements imply that he could be considered a long time opponent of wind power, particularly offshore wind. While he didn't hinder wind power during his Presidency, he also did not accelerate wind deployments. During this presidential election campaign, he has been much more vocal against wind subsidies. The IRA extended and increased PTCs that would have expired at the end of 2021, introduced 45X manufacturing production and investment credits for certain components, and provides 10% bonuses for domestic content, locating sites in energy communities as well as low-income communities or tribal lands. If Donald Trump does not consider outright removing these wind subsidies should he win the election, it is possible he can consider slowing down or halting development projects through an executive order to commence environmental studies.

What else could be at risk, though less specifically targeted?

- Manufacturing credits
  - Donald Trump has not made any claims against manufacturing tax credits embedded in the IRA. Additionally, Donald Trump has not made any comments against investment tax credits for solar. While we believe it can't be ruled out that any of these components would not be at risk, we note that there has been bipartisan support for the federal ITC over multiple political regimes over the past decade (ITC extended in 2006, 2008, 2015, 2020, and with IRA in 2022), while the job creation, investment and onshoring impact of the IRA manufacturing credits have continued to increase.
  - Notably, the majority of clean energy manufacturing investments are being directed to Republican (or Republican-leaning) states such as Georgia, which maintain low electricity rates. Additionally, these credits have been successful at onshoring manufacturing operations and adding jobs. While Donald Trump could consider seeking to impose mandates/restrictions to limit foreign companies from opening manufacturing operations, given his commentary on EV mandates, we believe these credits currently appear less at risk, all else equal.

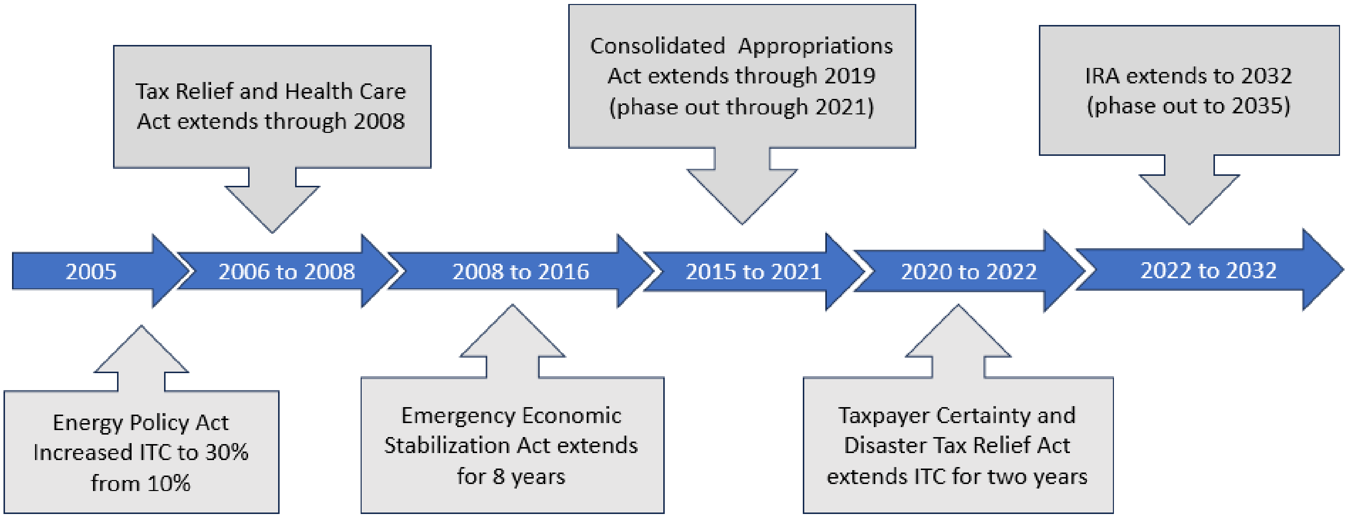
Exhibit 4: IRA funding in Republican vs Democratic states



Source: invest.gov, Goldman Sachs Global Investment Research

- Investment credits
  - The IRA extended the 30% federal ITC for 10 years before credits are slated to see a gradual step down. In the past, the ITC was extended one year (2006), eight years (2008), delayed step down (2015), and two years (2020). So while the 10-year extension is not completely out of the norm, Donald Trump could consider potentially reducing the duration of ITC credits which could, in turn, have the impact of lowering the total amount of tax burden associated with these credits under his watch. Additionally, the ITC could be extended again after a potential Trump term, making the impact more optical than actually impacting demand/federal expenditures. However, he could also consider removing one or all of the bonus adders for domestic content, energy communities, and low-income areas.

Exhibit 5: ITC Timeline



Source: SEIA

- DOE Loan Program Office
    - Donald Trump has not specifically discussed removing the DOE LPO. However, during his prior Presidential term, Donald Trump sought to eliminate the LPO but was rejected by Congress. As a result, the LPO could be another item within Trump's focus to reduce clean energy spending and drive more American tax cuts should he choose to do so. That said, it is also noteworthy that the Trump administration did avail the DOE's LPO through Executive Order 13953 to promote the production, processing and recycling of 35 critical minerals that are typically sourced from China and are essential for EVs, renewable energy, hydrogen fuel cells, carbon capture, and similar technologies. So while there is a possibility the entire LPO is not left intact, he could consider selectively reducing spending in certain areas, particularly on clean energy projects.

Interview with Alec Phillips

Interview with **Alec Phillips**, Chief US Political Economist, Global Investment Research

Brian Lee: What is the latest probability forecast for the outcome of the Presidential election? The House? The Senate?

Alec Phillips: Prior to the presidential debate on June 27, prediction markets (according to Polymarket) put the odds of a Republican sweep at 45%. Following the debate and questions around President Biden's candidacy, those odds have risen to nearly 50 with the overall odds of a Trump win (regardless of congressional control) now around 60%. It is unclear whether President Biden will remain the Democratic nominee. Prediction markets assign around even odds that he will step back from the race. While the modest dip (2-3pp) in post-debate polls might encourage Biden to continue, the fact that he now trails former President Trump by several points—and outside the margin of error—in the swing states (e.g., Pennsylvania) most likely to determine the winner might lead other Democrats to push for a new candidate. If Biden drops out of the race, the most obvious candidate to fill the role is Vice President Kamala Harris, though other Democrats could likely put their names forward. At the moment, none of the potential replacements poll much better than Biden against Trump, but few voters know many of the potential candidates.

The turbulence in the presidential race is apt to affect the House and Senate too, though to a lesser degree. Support for House Democrats has declined very modestly (less than 1pp) since the debate, still showing roughly a tied race in national polling (the "generic ballot" question). In the Senate, there has been little public polling released but the outcome continues to lean Republican, as Sen. Manchin's (D-WV) retirement is likely to leave Democrats with 50 seats at most. Competitive races in Michigan, Montana, and Ohio could flip at least one more. With the VP breaking ties, the Senate would therefore flip to Republicans if Trump wins, but could remain under a nominal Democratic majority if Democrats keep the White House, as a scenario in which Biden or another Democrat wins would suggest a move of 5-6pp to the Democrats compared with where polls stand today, and such a move would likely push the marginal House and Senate race into Democratic territory as well. The upshot is that the starting point for the House and Senate are so close to even that whichever party wins the White House is more likely than not to hold majorities in the House and Senate as well.

Brian Lee: What do you see as the most likely implications for the Inflation Reduction Act from a President Biden win?

Alec Phillips: In the event of a Democratic sweep, the main implication would be higher taxes on businesses overall—a statutory corporate tax rate between 25-28% and commensurate increases in minimum tax and other provisions—but little to no change in the Inflation Reduction Act. While Democrats will be under political pressure to extend at least some of the expiring 2017 tax cuts, as the tax cuts for household income under $400k accounts for the majority of the cost of the extension, they would likely rely on other tax changes that do not involve the IRA.

Brian Lee: What do you see as the most likely implications for the Inflation Reduction Act from a Donald Trump win?

Alec Phillips: A Trump win would have three general implications for the IRA. First, assuming a Republican sweep is the most likely outcome if Trump wins, some of the tax subsidies would likely be rolled back. Specifically, it seems likely that Republicans would reduce the value of the 30D electric vehicle credits under the IRA. At a minimum, this would likely mean further restricting vehicle eligibility based on foreign content of critical mineral and battery components, as well as simply dialing down the overall amount of the credit. The advanced manufacturing tax credit (45X) would also likely be revised, at a minimum restricting eligibility for production that relies on materials sourced from "foreign entities of concern".

Second, even without control of Congress a Trump administration would likely seek to tighten interpretation of domestic content requirements for electric vehicle subsidies, and perhaps loosen requirements to qualify for certain energy credits to make it easier for less climate-friendly energy sources to qualify. The distribution of loans and grants under the IRA—a small share of the total funding under the law—could also slow following a change in control.

Third, a Trump scenario would lead to other regulatory changes that might reduce demand for some of the technologies the IRA incentivizes. For example, a second potential Trump administration would likely seek to relax the auto emissions limits that the Biden administration finalized earlier this year, which automakers would likely satisfy by substantially increasing the proportion of electric vehicles they sell.

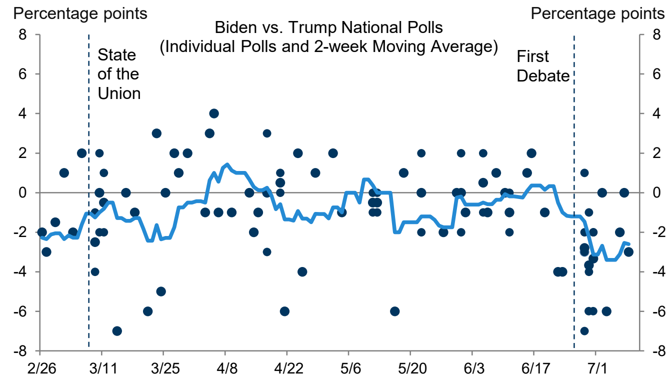
Brian Lee: What do you see as the practical feasibility/likelihood of a full repeal of the IRA? Is there real political will in DC supporting this?

Alec Phillips: Full repeal is very unlikely, not least because aspects of the IRA have nothing to do with green subsidies, like the corporate tax provisions and Medicare drug reimbursements used to offset some of the cost. Thinking just about the green components, full repeal still seems unlikely for two basic reasons. First, plenty of what the IRA does was around before the IRA in different forms, like the solar ITC, wind PTC, and biofuel subsidies. Those things have changed form in the IRA, but there has been bipartisan support for the concept before and that seems likely to remain to a degree, particularly given the exposure to those sources in some Republican states. So the risks have more to do with the new aspects of the IRA, not the older policies that simply take new form.

Second, control of Congress will probably be pretty closely divided. Republicans would only contemplate trying to repeal the IRA if they controlled the House, Senate, and White House (and even then they probably wouldn't try). In a Republican sweep scenario, whatever happens to the IRA is likely to happen via the reconciliation process, which allows fiscal legislation to pass with a simple majority in Congress. This is how the IRA was passed, and how the 2017 tax cuts passed. Since the main point of using that process is to exclude the minority party, that sort of legislation will pass along party lines. But in a thinly divided Congress, there will be at least a few and probably more than a few Republican lawmakers who have reasons to oppose repeal, either because subsidized technologies are made in their districts or used in their districts. While there are likely to be many Republicans in favor of repeal, it is likely that they will not constitute a majority in the House nor in the Senate. The bigger the majority the less of a constraint this becomes, but for now a closely divided House and Senate is likely.

Election Analysis

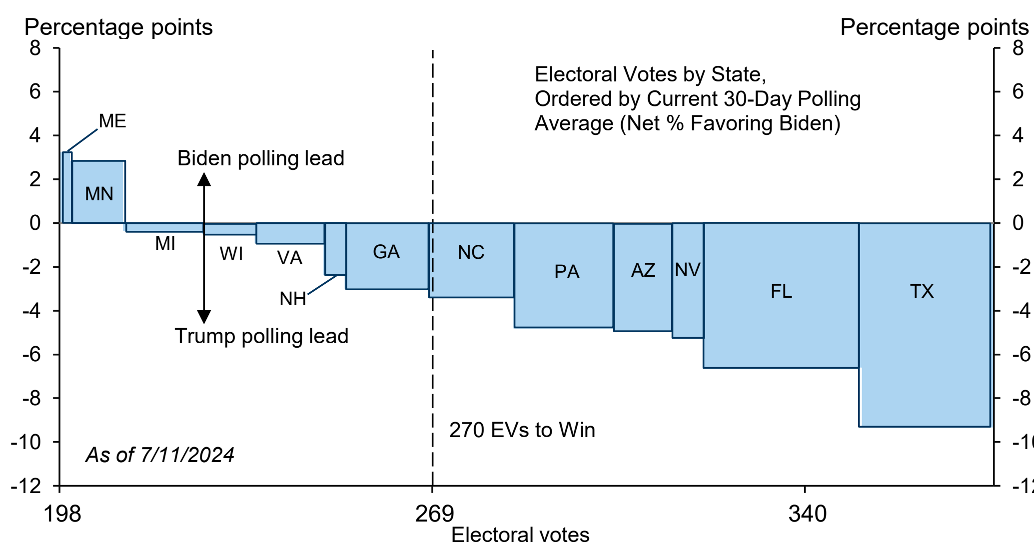
Exhibit 6: Trump maintains advantage after first national debate



Individual dots denote individual poles on a specific date in time

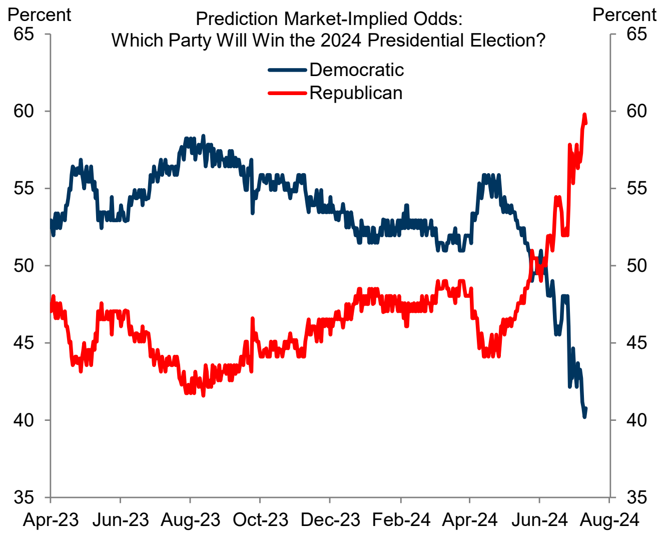
Source: RealClearPolitics, Goldman Sachs Global Investment Research

Exhibit 7: Biden still trails in the state currently most likely to decide the election - North Carolina



Source: RealClearPolitics, Goldman Sachs Global Investment Research

Exhibit 8: Odds to win the presidential election continue to climb in favor of the Republican Candidate



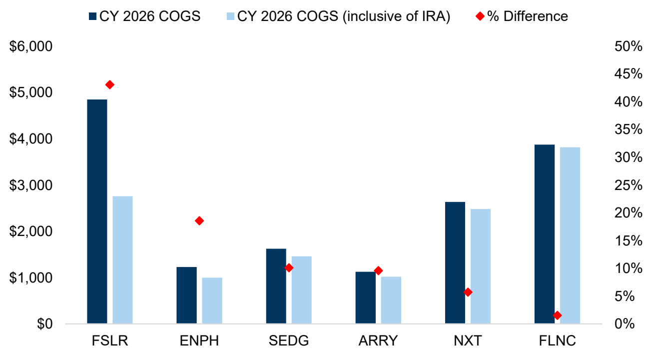
Source: PredictIt, Goldman Sachs Global Investment Research

IRA impact in focus: Clean Technology

IRA has spurred domestic manufacturing investment. The IRA has been one of the most meaningful policy changes for the US solar and energy storage sector which enables the clean energy sector to expand domestically through local investment. Domestic manufacturing credits and investment tax credits have incentivized onshore solar and energy storage supply chains, which has reinvigorated investment in this sector domestically. While domestic manufacturing of modules, inverters, trackers and battery storage has been historically disadvantaged compared to the rest of the world due to higher labor and material costs, the allocation of manufacturing credits which effectively reduced the cost of goods manufactured within the United States by ~2%-45% depending on the industry, coupled with tariffs, has allowed domestic manufacturing to once again become competitive with foreign imports. This is in the backdrop of the domestic solar/storage industries which we estimate to grow at ~12%/~24% CAGRs through 2027, thus creating jobs as well as diversifying supply chains away from foreign countries to help increase the US's energy independence and lower reliance in imports. Since 2021, continued investment across our clean tech coverage universe has been evident, and we highlight below a few key examples of companies increasing domestic manufacturing capacity below.

Exhibit 9: We estimate 45X manufacturing credits will reduce COGS in CY2026 by between (2%) to (45%)

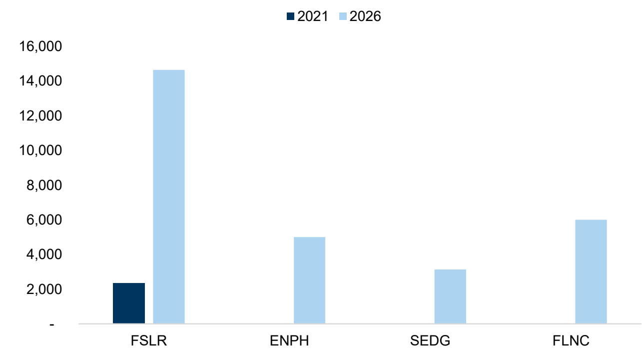
Reduction in COGS across the largest beneficiaries within our coverage (CY2026 estimates)



Source: Goldman Sachs Global Investment Research

Exhibit 10: IRA has incentivised domestic manufacturers within the US to build out capacity

Pre-IRA domestic capacity vs. 2026 forecast of expected capacity (MW)

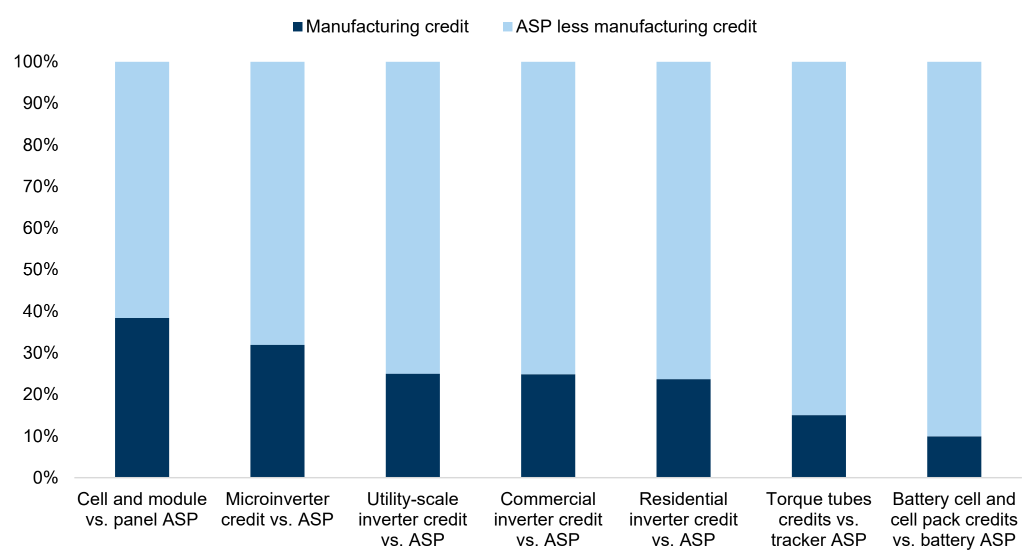


Source: Company data, Goldman Sachs Global Investment Research

Solar manufacturing credits have largely benefited suppliers with domestic manufacturing. The 45X tax credit for domestic manufacturing has largely benefited domestic producers of modules, inverters, trackers, and battery storage. These manufacturing credits have led to meaningful increases in profitability due to the ability to lower the realized costs of certain domestic manufactured products. While solar modules have seen the largest benefit, all companies across the solar value chain benefit from these credits as the value of the credits range from 10%-40% of the ASP of these solar components.

Exhibit 11: 45X manufacturing credits have benefited modules more compared to other portions of the solar supply chain

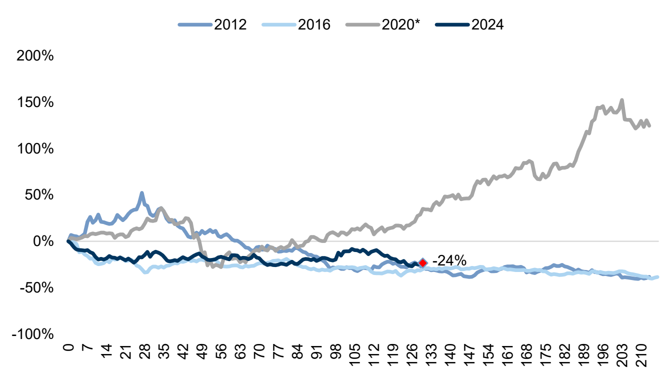
Cell and module manufacturing credits and ASP $/W, inverter credits and ASP $/W, torque tube and fastner credits and tracker ASP $/W, battery cell and cell pack credits and battery ASP $/W, % of credits to ASP (RHS)



Source: Company data, Goldman Sachs Global Investment Research

Earnings have largely improved but clean tech stocks have underperformed. While a majority of our coverage has benefited from 45X credits within the IRA, the stocks we have highlighted in this report have traded down to pre-IRA multiples, while numbers have gone up for the most part. While we do acknowledge that rising interest rates have played a part in the underperformance related to the stocks, we believe that election uncertainty is also contributing to the underperformance within the sector as the IRA specifically has been a topic of debate for the current election cycle. Furthermore, historically solar stocks typically trade down in an election year up until the date of the election, aside from 2020 which is an anomaly due to historically low interest rates due to the Covid-19 recovery. On average, solar stocks are down ~40% on average between January 1st and the election date in the past few cycles.

Exhibit 12: Solar stocks are down on average (~40%) during an election year in the days leading up to the election
TAN ETF performance during election years up until the election date. 2024 performance through 7/9/2024

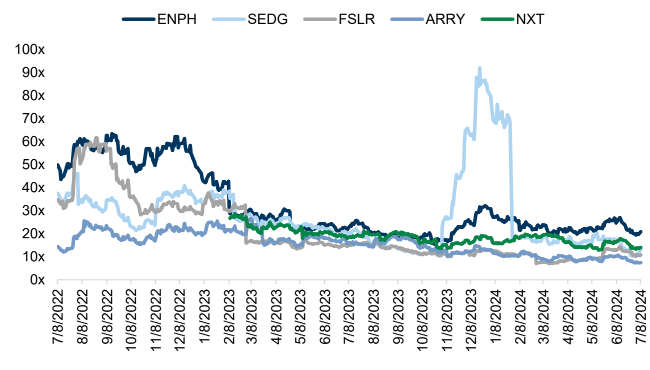


2020 is an anomoly due to Covid-19 and stimulus from the federal reserve.

Source: FactSet

Concern around IRA plus idiosyncratic risks causing dislocation across solar companies. We note that over the past two years, the median forward 2-yr P/E multiple has compressed (58%) across our five highlighted IRA risk-reward stocks, while median forward earnings estimates have gone up +50% over that same time frame. We note that SEDG is one exception where forward earnings have come down lower than pre-IRA forward estimates due to idiosyncratic issues within the European residential solar market and structural margin issues, however, outside of SEDG we view our coverage to be trading at a relative discount to forward earnings compared to pre-IRA levels. We view this discount as being exacerbated by election uncertainty as investors begin to assess the possible effect that policy changes could have on companies that have been, or are in position to prospectively benefit, from tax credits.

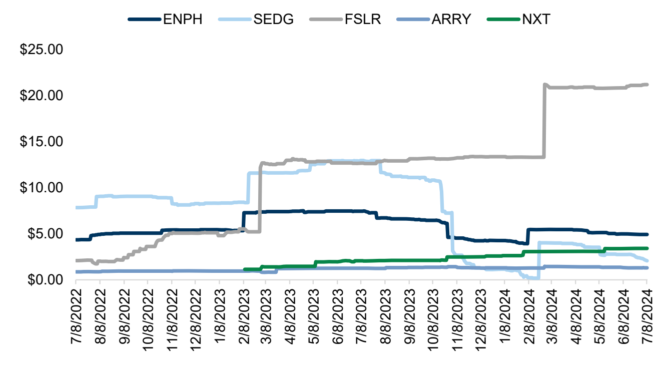
Exhibit 13: The median FY2 P/E multiple across IRA beneficiaries is down (58%) from levels prior to the IRA announcement...
ENPH/SEDG/FSLR/ARRY/NXT FY2 P/E over prior 2 years



SEDG also adjusted to exclude outlier data from 1/29/24-2/20/2024

Source: FactSet

Exhibit 14: ...while median FY2 EPS estimates are up +50% over the same time frame
ENPH/SEDG/FSLR/ARRY/NXT FY2 eps revisions over prior 2 years as of 7/9/2024



Source: Goldman Sachs Global Investment Research, FactSet

Industry participants may be assessing less risk than market participants. Despite concerns around what may happen to the IRA, we continue to believe that industry participants, for the most part, remain optimistic that projects will move forward regardless of the political outcome. A key takeaway from recent GS Green Capex trips was that Big Tech will be willing to pay Green premiums over the medium term to limit carbon emissions while maintaining reliability/resiliency, which should support deployments for a plethora of renewables (solar, onshore wind, battery storage, etc.). Additionally, we continue to see major industry players remaining active in several markets, even in offshore wind which Donald Trump has been most vocal against. Thus, we believe that industry participants may not be assessing the same level of risk as market participants, and in a lower-risk scenario the multiple compression discussed above may be overdone.

Scenario analysis and impact on coverage. We highlight coverage names which have the most exposure to IRA benefits and 45X manufacturing credits and apply our IRA scenario analysis across these names to sensitize where risk-reward profiles are most attractive across our group.

- **Scenario 1 - IRA intact.** In this scenario, no changes are expected to be made to the bill. All credits, in particular 45X manufacturing credits and investment tax credits, would likely continue as they are currently being allocated, the DOE loan program office would not be affected, and certainty around this topic would increase investor sentiment within the space.

- **Scenario 2 - IRA repealed.** In this scenario which we anticipate executive actions being taken to fully repeal the IRA and all the incentives/tax credits/and programs would be dissolved or removed. This would have the largest impact vs. current estimates as benefits from 45X credits would be removed and companies that were expected to be beneficiaries from these credits would see their component costs go up while margins and profitability go down.

- **Scenario 3 - IRA revised.** This is the middle ground scenario where Republicans would win the election, however not take full control of the House, making it harder for legislation to be passed. We examined all the commentary out of the Republican party so far leading up to the election and the specific commentary that would affect our coverage is limited to DOE loan office programs being possibly constrained (link). Our view is that 45X credits would remain intact because a lot of new manufacturing for the companies that benefit from these are in Republican states which have created jobs and increased investment in states that are Republican states. Also, neither Donald Trump nor his party have made any specific commentary around the removal of these specific tax credits.

Stocks in focus - Clean Technology (Brian Lee)

Across Clean Technology, our sensitivity analysis suggests FSLR, ENPH and ARRY have the most earnings exposure to the IRA. We detail our framework for each stock below.

First Solar (FSLR; Buy - covered by Brian Lee)

What the company does: FSLR is the largest US based solar module manufacturer, specializing in thin-film technologies. The company has a strong presence in the US utility scale end market, with ~90% of its 2023 sales coming from the region. By the end of 2026, we expect the company to have ~25GW nameplate capacity, with ~14GW of annual production capacity within the US.

Why does IRA matter? The IRA includes domestic manufacturing credits for solar cell ($0.04/w), module ($0.07/w) and ~$0.06-$0.07 credits for wafer on a per watt basis, resulting in $0.17 C/W total. As of 2023, the company benefited from $675mn of manufacturing credits due to its domestic manufacturing or 81% of FSLR's net income of $831mn. In 2026, we are forecasting $2.1bn in IRA credits, which represents 61% of our net income estimate of $3.4bn. Companies also leverage FSLR modules to qualify for a 10% domestic content bonus that is realized from purchasing domestic manufactured modules. Due to the unique position in the domestic value chain, we anticipate FSLR to continue to benefit from exposure to utility-scale projects which are expected to continue to grow as power demand continues to bolster load growth.

Scenario 1: IRA stays intact. FSLR would continue to benefit from 45X manufacturing credits as the largest public US module manufacturer within our coverage universe. We expect the company to continue normal operations with capacity expansion plans to progress as scheduled. Based on this scenario, we see the potential for multiple expansion.

Scenario 2: IRA is partially repealed. Under this scenario, we anticipate 45X credits to remain in place also, as the Republican party has not made any public comments regarding plans to repeal this manufacturing tax credit. While there might be some volatility associated with this scenario i.e. headline risk, we anticipate FSLR's earnings to be largely unchanged with potentially less multiple expansion potential than scenario 1.

However, scenario 2 could provide upside to ASPs due to higher proposed tariffs on Chinese module imports which the Republican party has also been vocal about in its campaigns.

Scenario 3: IRA is fully repealed. Under this unlikely scenario, 45X credits would be repealed along with all of the other IRA benefits. As a result, we believe earnings would be at risk given the increase in costs due to the removal of tax credits that represent a meaningful portion of the company's current earnings profile. We also believe there could be multiple contraction, which could compound the negative impact on valuation. However, as noted in scenario 2, higher tariffs on Chinese module imports could support higher ASPs for FSLR and limit some of the downside to earnings.

Enphase Energy (ENPH; Buy rating also on the Conviction List - covered by Brian Lee)

What the company does: ENPH is the largest global supplier of solar microinverters, which are installed in both residential and commercial markets, and is the market leader for residential applications in the US. ENPH also provides residential energy storage systems along with a suite of energy management hardware and software products. From a geographic perspective, the US accounts for roughly 64% of ENPH's 2023 revenue, with the company's products been deployed in more than 150 countries.

Why does IRA matter? We see ENPH as potentially being a direct and near term beneficiary of manufacturing credits in the IRA. Specifically, the IRA includes domestic manufacturing credits for solar microinverters ($0.11/w). ENPH started realizing 45X credits from its US manufacturing operations in 2Q23, which we estimate can ramp from ~500k units in 1Q24 to nearly 1.5mn units in 4Q24. In 2023, ENPH generated ~$42mn in tax credits or 10% of net income of $439mn, and management guided for $14mn-$17mn in tax credits in 2Q24 (or 74% of our current net income forecast of $21mn). In 2026, we are forecasting $228mn in IRA credits, or 33% of our net income estimate of $697mn. In addition, we believe ENPH is well positioned to benefit from resi solar TPOs looking to take advantage of domestic content tax adders since microinverters can nearly achieve the 40% domestic content threshold on their own.

Scenario 1: IRA stays intact. We look for ENPH to benefit from 45X manufacturing credits, expecting the company to continue ramping capacity as planned. Under this environment, ENPH should see no impact to earnings and we the potential for multiple expansion potential.

Scenario 2: IRA is partially repealed. With this scenario, we anticipate manufacturing tax credits to hold. While there could be some headline risk associated with this scenario, we anticipate ENPH's earnings to be largely stable but with less multiple expansion potential than in scenario 1. Similar to FSLR, this scenario does not include increases in ASPs that could result from higher tariffs on imports which the Republican party has also been vocal about in its campaigns.

Scenario 3: IRA is fully repealed. Under this scenario we believe earnings could be pressured given the increase in COGS from the removal of beneficial tax credits. Additionally, we believe multiples would decrease given a more tempered growth outlook.

Array Technologies (ARRY; Buy - covered by Brian Lee)

What the company does: ARRY is a leading supplier of solar trackers, both domestically and internationally, a technology deployed mostly in ground-mount solar projects. ARRY is therefore highly levered to the robust growth in utility-scale solar installations in the US where we forecast a CAGR of 22% through 2026. The region accounted for 74% of ARRY's 2023 revenue.

Why does IRA matter? We see ARRY as an immediate beneficiary of demand tailwinds from the IRA, specifically the extension of the solar ITC at 30%, and an additional 10% bonus for meeting domestic content requirements. On the manufacturing side, the company is well positioned to benefit from the US utility-scale market under the IRA, leveraging strategic partnerships with vendors for 45X Credit eligible parts, which yield "Vendor Rebates" tied to tax credit benefits. Notably, ARRY reported $57.1mn in outstanding Vendor Rebates at the end of 1Q24, which represents 34% of our forecasting 2024 revenue of $167mn, and management anticipates additional credit monetization opportunities through ongoing regulatory clarity efforts and supplier negotiations. In 2026, we are forecasting $108mn in IRA credits, or 45% of our net income forecast for the year.

Scenario 1: IRA stays intact. If IRA maintains the status quo, we believe ARRY should be able to maintain its earnings power while experiencing some multiple expansion from the removal of volatility from political headline risk.

Scenario 2: IRA is partially repealed. Under this scenario, we anticipate ARRY's earnings to be largely stable with the ITC and PTC remaining mostly intact. However, there is less multiple expansion opportunity than in scenario 1.

Scenario 3: IRA is fully repealed. If the new administration decides to completely scrap the IRA, the vendor rebates under 45x manufacturing credits will likely go away, leading to an increase in the cost of inventory and ultimately higher COGS, pressuring profitability. We therefore see it likely that earnings could decline as well as potential for multiple compression given a weaker outlook for the US market.

Nextracker (NXT; Buy - covered by Brian Lee)

What the company does: NXT is a global leader in providing integrated solar tracker and software solutions to utility-scale and distributed generation solar projects. NXT has a strong sales presence across all regions, and the company's geography mix is 68%/32% US/International in fiscal 2024.

Why does IRA matter? NXT is the market leader in the US and maintains an annual manufacturing of >30GW domestically. As a result, the company benefits from 45X manufacturing credits, as well as demand tailwinds from the ITC/domestic content adders under the IRA. The company had ~$125mn in Vendor Rebates receivables at the end of fiscal 2024, which represents 33% of the midpoint of managements F2025 net income guidance of $369mn-$399mn. We are modeling $112mn of IRA credits in F2026, or 26% of our net income forecast for the year.

Scenario 1: IRA stays intact. Under this scenario, we expect NXT's earnings to remain intact and for the company to benefit from some potential multiple expansion given the improved demand visibility and continued manufacturing tax credits.

Scenario 2: IRA is partially repealed. While NXT noted that any changes to tax laws and regulations could materially impact the business, we anticipate 45X credits to stay intact and NXT's earnings to stay relatively unchanged. Therefore, the overall impact from any alterations to the IRA might not be substantial. As a result, we expect to see some multiple expansion, but to a lesser degree than in scenario 1 due to potential demand impacts.

Scenario 3: IRA is fully repealed. A full IRA repeal will eventually lead to higher COGS and lower profitability for NXT. Additionally, we expect NXT to see some multiple compression given the tempered outlook.

SolarEdge (SEDG; Sell - covered by Brian Lee)

What the company does: SEDG is a leading global solar inverter supplier and provides solutions for residential, commercial, and small utility-scale solar systems. SEDG has a strong sales presence across all regions, and we estimate that the company's geography mix is ~30%/70% US/international. SEDG is one of two dominant residential solar inverter suppliers in the US residential market.

Why does IRA matter? The IRA includes domestic manufacturing credits for residential ($0.065/w for string and $0.11/w for microinverters or string paired with optimizers) and commercial inverters ($0.02/w), of which SEDG is a potential beneficiary as the company is reliant on US 45X credits to help bolster earnings while the European market struggles. The company started to receive the PTC credits in 4Q23 with the string inverter manufacturing facility in Texas and is also planning further expansion in Florida to add optimizers. SEDG generated tax credits of $13mn in 1Q24, which compares favorably to the net loss of $157mn. In 2026, we forecast $164mn of IRA credits, which exceeds our net income estimate of $46mn for the year. On the demand side, SEDG has encountered issues with elevated inventories in Europe, which have weighed on topline and bottomline results. Additionally, the timing of when the company can start generating durable free cash flow appears to be extending.

Scenario 1: IRA stays intact. Based on this scenario, we believe SEDG would maintain its earnings power and see some multiple improvement given the better market clarity.

Scenario 2: IRA is partially repealed. We also expect to see SEDG maintain its earnings power as well as experience some multiple expansion, albeit to a lesser degree than in scenario 1. We note that this scenario does not include increases in ASPs which could result from higher tariffs on China which the Republican party has also been vocal about in its campaigns.

Scenario 3: IRA is fully repealed. Under this scenario, we believe the impact will be substantial given the company is profitable today only with the inclusion of benefits from the IRA. As a result, we expect earnings and multiples to decline given the impact to the bottomline as well as the tempered market outlook.

Stocks in Focus - Energy Services (Neil Mehta, Ati Modak)

Across Energy Services, our analysis suggests PWR has the most stock related exposure to the IRA within our Energy Services coverage.

Quanta Services - PWR; Buy

What the company does: Quanta Services is a specialty contractor that primarily provides engineering, construction and maintenance services for the electric and gas utility and midstream oil and gas end markets. We believe PWR's transmission and distribution work for large-scale utilities positions the company as a primary beneficiary of increased power demand.

Why does IRA matter: IRA matters for PWR as the company provides engineering, construction and maintenance services related to wind and solar generation as well as services for transmission and distribution. While we attribute no earnings to the IRA in 2023, we note that for every 10% increase in installed capacity of solar equates to a 1% increase in earnings per year through 2030, all else equal.

Scenario 1: IRA stays intact. Under this scenario, we apply a high IRA uptake from the 2023 EIA AEO, compared to our base model where we apply a No IRA uptake due to the lack of clarity and not perfect line of sight around the topic. The high IRA uptake scenario implies total wind and solar installed generation capacity would be +10-15% 2025, +20-30% in 2026 and +60-70% in 2027-2030, compared to no IRA. Given the increased installed capacity, we estimate T&D work for PWR will increase by at least 5-10% in 2025, 10-15% in 2026 and 30-35% in 2027-2030. Based on this, we anticipate an improved earnings outlook through 2027. We believe under this scenario, investors may be willing to pay an additional premium given IRA is de-risked. However, a premium may be dependent on the duration of the trend which we estimate could continue into 2035-2040.

Scenario 2: IRA is partially repealed. Under this scenario, we assume tax credits remain in place, but other benefits are repealed. Given that we assume a significant portion of capital spending is to be incentivized by tax credits, rather than federal funding, we believe activity would still see some uplift, however potentially not to the degree outlined in scenario one. As such, we are applying the 2023 EIA AEO base case IRA uptake scenario. This scenario implies total wind and solar installed generation capacity would be +10-15% 2025, +20-30% in 2026 and +45-55% in 2027-2030, compared to no IRA. Given the increased installed capacity, we estimate T&D work for PWR will increase by less than Scenario 1 given the velocity of new projects coming to fruition. In this scenario we could possibly see some multiple expansion given increased growth in installed capacity.

Scenario 3: IRA is fully repealed. Under this scenario, we anticipate no uplift in growth due to increased activity due to IRA incentives. This currently aligns with our base case estimates as we do not currently underwrite any IRA incentivized capex. We believe there could be possible reratings of multiples in this scenario as growth outlooks are likely negatively impacted.

Stocks in focus - Utilities (Carly Davenport)

Across Utilities, our analysis suggests NEE has the most stock related exposure to the IRA within our utilites coverage.

NextEra Energy (NEE; Buy - Covered by Carly Davenport)

What the company does: NEE is the parent company of both the regulated utility Florida Power & Light (FPL), and its renewable focused subsidiary NextEra Energy Resources (NEER). NEER owns the largest renewable portfolio in the nation, with the company noting that NEER has a 20% market share in the renewable developer space, and has a development plan that aims to install up to ~47 GWs of renewables and storage through 2027. The company expects its total renewable and storage portfolio to reach 81 GWs by the end of 2027.

Why does IRA matter? NEE is the largest renewable developer in the US with roughly 20% market share, and the tax credits that the IRA both extended and created are a significant benefit to the company. NEE plans to use tax equity financing and tax credit monetization to finance its growth, and without the existing tax credits for renewables it would be challenging to grow at the same pace. We believe NEE's long term growth outlook is strong in large part due to these tax credits, and a repeal of the IRA would be a significant headwind. Currently, we estimate 29% of 2023 revenue is attributable to tax credits put in place from the IRA.

Scenario 1: IRA stays intact. In this scenario NEE would continue to benefit from the tax credits for wind and solar that the IRA provides, as well as the standalone tax credit for storage and the nuclear PTC. NEE uses tax equity and tax credit monetization to help finance its renewable projects, both of which are dependent on the tax credits in the IRA staying in place. In this scenario, given more clarity around the longevity of the IRA, we would expect multiple expansion at the NEER segment, as investors gain confidence in the long term outlook for NEER.

Scenario 2: IRA is partially repealed. Under this scenario, we expect items on the fringes of the IRA, like potentially electric vehicle incentives, DOE loans/grants are rolled back or language around these items to experience increased scrutiny, but that the core renewables tax credits remain, particularly given many of these credits benefit historically Red states. While we don't anticipate an impact to earnings in this scenario, we still see headline multiple contraction risk. We expect that a partial repeal of the IRA would create uncertainty about the future of the energy transition as a whole and around NEER's ability to reach its aggressive growth plans.

Scenario 3: IRA is fully repealed. We believe a total repeal of the IRA, although unlikely in our view, would significantly impact the outlook for NEER. This scenario would prevent NEER from using tax equity financing for its renewable projects, and would limit the amount of tax credit monetization that NEE could do. We believe that not only would we see significant multiple contraction, NEE would likely have to slow its renewable development pace without the use of tax equity.

Stocks in focus - US Multi-Industry (Joe Ritchie)

Across US Multi-industry, our analysis suggests GEV has the most earnings exposure to the IRA within our Multis coverage.

GE Vernova (GEV; Buy - covered by Joe Ritchie)

What the company does: GEV is an electric power (i.e., gas, wind, nuclear, hydro, solar) company that provides equipment/services to generate, transfer, convert and store electricity. The company has three reporting segments: Power, Wind and Electrification, and is a global business with operations in the US (38% of 2023 sales), Europe (25%), Asia (16%) and all other regions (21%). Over the long-term, we are optimistic on GEV's position in helping the world electrify and decarbonize given GEV's assets serve > a $250bn market with a current backlog > $100bn.

Why does IRA matter? For GEV, the IRA holds most value for its Wind segment. They have adopted a strategy of focusing their efforts domestically and currently ~70% of their Onshore Wind equipment RPO is attributed to the United States. The IRA has introduced new and extended existing ITCs and PTCs, which improves the economics for GEV's customers and turbine producers for US projects. The life of the new PTCs will be ~10 years and could extend well beyond that, providing a tailwind to long-term demand for wind projects in the US. We estimate 10%-15% of 2025-2026 profitability is attributable to IRA credits.

How much impact could IRA have? We expect GEV to benefit from the IRA ITC/PTC credits which would support greater volume leverage and increased cash flow for the company. Onshore makes up ~80% of the Wind segment today and they are seeing an influx of capital and incentives in the US, which they estimate is driving ~$1bn/GW in project/manufacturing tax benefits. Within Onshore Wind, the IRA drove > $10bn in orders in 2023 (B2B: > 1.3x) and this should start to ramp in 2H24, on the back of which we expect Onshore Wind to grow +8%/+6% in 2025/2026. Within our Multis coverage, we believe GEV is uniquely positioned to benefit from this secular growth trend.

Scenario 1: IRA stays intact. This is our base case baked into our current estimates. Within Onshore Wind, the IRA drove > $10bn in orders in 2023 (B2B: > 1.3x) and this should start to ramp in 2H24, on the back of which we expect Onshore Wind to grow +8%/+6% in 2025/2026. We believe the IRA remaining intact would drive some multiple expansion given an improved outlook for tax credits and demand.

Scenario 2: IRA is partially repealed. The PTCs have been in effect for several years and we think it is safe to assume that a partial repeal of the IRA would not impact this. Hence, we believe this scenario could provide similar upside potential to Scenario 1.

Scenario 3: IRA is fully repealed. Under this scenario, we assume the PTCs get completely repealed which would negatively impact the growth in Wind. As such, we estimate Onshore Wind to be down ~10% in 2025 with HSD EBITDA margins, limiting upside potential compared to current levels.

Stocks in focus - Chemicals (Duffy Fischer)

Across Chemicals, our sensitivity analysis suggests APD with the most earnings exposure to the IRA within our Chemicals coverage. We detail our framework below.

Air Products & Chemicals (APD; Buy - covered by Duffy Fischer)

What the company does: APD is a global industrial gas company that produces a range of gas products: oxygen, nitrogen, hydrogen, argon, helium, etc (peers include Linde and Air Liquide). It sells these gases, often on multi-year contracts, via pipelines, merchant tanks and smaller package cylinders. APD has made a large capital commitment (> $15bn) that hydrogen will be a major energy transition median as the world tries to decarbonize. This push into "Blue and Green" hydrogen differentiates APD from its peers, as peers are taking a more conservative view of low carbon hydrogen – waiting for customers to demand it (i.e., give long-term contracts) as opposed to building the capacity before the demand materializes as APD is doing.

Why does IRA matter? The IRA includes both the 45Q (which gives an $85 credit for sequestering a ton of CO2), and the 45V which gives a $3 credit for each KG of green hydrogen produced. The 45Q helps the cost of producing blue hydrogen (sequestering the CO2 produced in making H2 from natural gas) and the framework for the 45Q is more developed as it existed before the IRA but at a lower level. The 45Q gets the manufacturing costs of blue hydrogen close to parity with grey hydrogen so this part of the IRA provides a substantial boost to APD's Louisiana blue project. APD's blue hydrogen plant should sequester over 5mn kta at $85/t is over $400mn of annual revenue from the project (link here). The 45V is large part of the economics of the announced (but not FID'd) Texas project with AES. At 200MT/day of hydrogen production, the 45V would contribute ~$200mn to its annual revenue. However, as of 2023, IRA related impacts on earnings sits between 1% to 5% as the company does not fully disclose the explicit value of the credits APD receives.

Scenario 1: IRA stays intact. Under this scenario, which is our base case, APD would build out its Louisiana blue project and its Texas green project receiving the full benefit from 45Q and 45V. The 45V would be settled with the tighter regulations which all of APD's U.S. green projects would qualify under. As a filibuster proof Senate majority is likely needed to repeal the Inflation Reduction Act, we believe this scenario should drive multiple expansion for APD given the improved visibility for these credits.

Scenario 2: IRA is partially repealed. Under this scenario, we anticipate 45Q credits to remain in place but assume the 45V credit is meaningfully diluted. In this case, we believe that APD would not proceed with the Texas green project. This would likely lead to a write-down of some of the engineering work that has been done on the Texas project but would not impact our earnings estimate through 2026. In this scenario, we estimate the hampered outlook would likely result in slight multiple compression for APD due to a less robust hydrogen macro with the IRA watered down.

Scenario 3: IRA is fully repealed. Under this unlikely scenario, 45Q and the 45V would be repealed. APD would likely continue with some form of the Louisiana project but not go forward with the Texas project. We believe this would significantly lower the return profile for the LA project and cause the market to lower APD's multiple as the IRA has been one of the biggest milestones to drive investor interest in APD's energy transition story.

Stocks in Focus - Autos & Industrial Tech (Mark Delaney)

Tesla (TSLA; Neutral - Covered by Mark Delaney)

What the company does: Tesla is a leading provider of electric vehicles, energy generation and storage systems, and related software and services. We believe that Tesla is well positioned for long-term growth, given its leading position in the EV and clean energy markets (which we attribute in part to its ability to offer full solutions including charging, storage, software/FSD and services with a direct sales model), but we believe that this is generally reflected in the stock given the premium valuation.

Why does the IRA matter? As we highlighted in our note " US Autos & Industrial Tech: The price is right? The case for Tesla to be more selective on US price cuts; analysis on EV pricing and IRA" as of June 2024, the US Department of Energy's website lists over 30 EV models and a handful of PHEV models that qualify for IRA credits. We estimate that in 2024 the EV vehicle models that currently qualify for IRA credits make up around 40-50% of US EV deliveries YTD (although some buyers of those vehicles are ineligible for credits due to the income limits). However, business EV purchases (including leasing vehicles to consumers) are not limited by battery content or income restrictions (and thus vehicles not on the DOE list could get credits). We also believe that a meaningful percent of EVs are benefiting from 45X credits of up to $45 per kWh for batteries, which could be ~$2.7K per vehicle for a 60 kWh pack, and we estimate that many EVs being sold by 2025 would have some level of 45X support as the industry ramps up US battery manufacturing.

Within our coverage we believe Tesla would be the most impacted by a reduction or repeal of the IRA bill as most Model Y and Model 3 variants (Model 3 and Model Y accounted for >90% of Tesla's US deliveries in 2023 per Motor Intelligence) are eligible for IRA credits and Tesla's share of the US EV market has been over 50% historically. Additionally, Tesla benefits from 45X credits for battery cells and/or pack production.

While not specific to the IRA, we note a few other factors to consider for EVs and Tesla in a potential new administration would be on import tariffs (with tariffs on vehicles and battery imports from China already in place but can change at the direction of the President) and any domestic manufacturing benefits (with Tesla having a US centric manufacturing base for the domestic market).

Scenario 1: IRA stays intact: In a scenario where the IRA stays intact we believe Tesla will continue to be well positioned to take advantage of both the consumer credits and the 45X credits in line with our base case view. While we continue to believe that Tesla is well positioned for longer-term growth given its strong position in the EV and clean energy markets we expect weaker market conditions to weigh on earnings in the near to intermediate term.

Scenario 2: IRA is partially repealed: In a scenario where there is a meaningful reduction in IRA credit eligibility due to executive branch actions on how to interpret IRA rules, we believe this could lead to a 5-15% reduction in US EV industry volumes in the short term, which assumes a 10-15% price impact for a quarter to half of US EV sales (note that some vehicles could remain eligible for credits, and OEM pricing could mitigate the effect of lower government support). Recall that our previous analysis which looked at price/volume elasticity showed that a 1% change in price generally correlates to a low single digit change in volume in the mainstream part of the market (where Model 3/Y compete).

We believe that if the IRA credits are reduced this could negatively impact Tesla's 2025 earnings given likely lower EV demand stemming from the reduced credits to consumers. We believe that if the IRA credits are reduced (resulting in a 10-15% impact to US EV market volumes), and assuming that Tesla's share is similar in 2025 to where it is currently at about 50%, then Tesla's 2025 overall earnings per share could be impacted by 1-10% (prior to any offsets that Tesla might take such as incremental cost reductions, or any changes in market share).

Scenario 3: IRA is fully repealed: If the IRA were repealed, this would likely impact the net price on the majority of EV sales in 2025 in the market, with some vehicles losing both the $7.5K consumer credits and embedded 45X battery support, and other vehicles only impacted by the loss of 45X support. In this type of scenario we'd assume a 10-30% impact on US EV industry volumes in the short-term. We'd note that in Germany in early 2024 Tesla vehicle sales were down 26% yoy after losing access to the €6.75K credit (noting that there may have been some pull in of demand from early 2024 into 2023 ahead of the policy change).

For Tesla, if the IRA bill is repealed, it could result in both lost 45X credits and lower EV end demand due to the lack of consumer credits. In this scenario, and assuming that Tesla's share of the US EV market is similar to current levels of about 50%, then we estimate that Tesla could see a negative EPS impact of 10-25% (prior to any mitigating steps Tesla may be able to use such as cost actions, or any changes in market share).

Valuation and Key Risks

- **FSLR (Buy):** Our 12-month price target of $302 is based on an 13.0X ex-cash P/E multiple on our Q5-Q8 EPS with ~$7 per share in net cash added back. Key risks include module oversupply, higher than expected module costs, trade policy and changes to US manufacturing credits.
- **ARRY (Buy):** Our 12-month price target of $21 is based on a 15X P/E on Q5-Q8 EPS. Key risks include competition, customer attrition, patent protection, market demand, policy, and supplier product availability/pricing.
- **ENPH (Buy):** Our 12-month price target of $165 is based on a 27.5X P/E multiple

applied to our Q5-Q8 EPS, and adding back ~$6 of net cash per share. Key risks include lower-than-expected revenue growth and margins, changes in the competitive and technology landscape, US-China tariffs, and abnormal inventory builds across the channel.

- **NXT (Buy)**: Our 12-month price target of $72 is based on a 22.5X P/E multiple on our Q5-Q8 EPS. Key risks include increasing competition, customer attrition, patent protection, market demand, policy, and supplier product availability/pricing.
- **SEDG (Sell)**: Our 12-month price target of $25 is base don a 10X ex-cash P/E multiple on Q5-Q8 EPS with ~$1.50 in net cash per shade added back. Key risks include a rebound in pricing, ASP increases due to favorable product mix, inventory channel clearing out faster than expected, policy shifts that could reignite growth, any increase in energy prices or demand could drive more demand for cheaper energy production across the board, especially if consumers are hard hit, which would drive residential installations.
- **PWR (Buy):** Our 12-month price target of $286 is based on a 16.5x STM EV/EBITDA multiple. Key risks include **1)** Slower revenue CAGR across segments from loss in project volume momentum, **2)** Delays in project deliverables from supply chain related challenges, **3)** Slower margin progression across the three segments from cost inflation or other operational challenges.
- **GEV (Buy):** Our 12-month price target of $196 is based on our Q5-Q8 EBITDA multiple of 16x and implies a FY25 FCF yield of 3.5%. Key risks include, slower growth due to regulatory/geopolitical changes, project delays from supply chain disruptions and execution risk.
- **NEE (Buy):** Our 12-month price target of $81 is based on a SOTP. Key risks relate to 1) a slowdown in renewables demand or deterioration in economics for these projects, 2) the impact of higher interest rates on financing costs, 3) ability to execute asset sales, and 4) acceleration in power demand not materializing.
- **TSLA (Neutral):** Our 12-month price target of $248 is based on 65X applied to our Q5-Q8 EPS estimate including SBC. Key downside risks to our view relate to potentially larger vehicle price reductions than we expect, increased competition in EVs, slower EV demand, delays with products/capabilities like FSD/4680, key person risk, the internal control environment, margins, and operational risks associated with Tesla's high degree of vertical integration. Upside risks include faster EV adoption and/or share gain by Tesla, a stronger macroeconomic environment for new vehicle sales more generally, earlier new product launches than we expect, and an earlier/larger impact from AI enabled products (e.g., FSD, Optimus and robotaxis) than we currently anticipate.
- **APD (Buy):** Our 12-month price target of $291 is based on a 21.8x EPS multiple on our FY25 estimate. We would note that shares of APD have traded between a P/E multiple of 16x and 31x since 2016. Key risks: APD is courting both higher rewards and higher risk than is the historical norm for industrial gas companies. APD's strategy has shifted to significantly larger projects than was typical, particularly around gasification. The size of these projects means that an issue at one site impacts earnings to such a degree that it needs to be called out by the company.

Additionally, APD is aiming to be the first mover in the green/blue hydrogen area with a significant capital commitment ($15bn by 2027). If green/blue hydrogen does not deliver on its promise, APD would be impacted harder than industrial gas peers. Some technologies around APD's hydrogen strategy are not proven at commercial scale (e.g., ammonia disassociation), and a significant amount of the green/blue hydrogen output does not have an executed off-take agreement (i.e., locked-in buyer) when the capital is committed.

Disclosure Appendix

Reg AC

We, Brian Lee, CFA, Neil Mehta, Ati Modak, Mark Delaney, CFA, Carly Davenport, Joe Ritchie, Duffy Fischer and Brian Singer, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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