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Bullish about BESS

Fengate Asset Management's head of energy transition, Greg Calhoun, and Alpha Omega Power's CEO, Paul Choi, explain why battery energy storage systems (BESS) are the big winner coming out of the One Big Beautiful Bill Act (OBBBA), and how tailwinds are positioning battery storage to capitalize on growing power demand.

The U.S. electricity sector is experiencing a level of volatility not seen in decades. The Trump administration's One Big Beautiful Bill Act (OBBBA) sent shockwaves through the U.S. infrastructure sector when it was introduced earlier this year, promising significant revisions to tax incentives under the Inflation Reduction Act (IRA) that many developers were relying on. On top of the OBBBA, tariffs introduced by the United States added to the headwinds and uncertainty.

When the OBBBA came into effect on July 4, 2025, wind and solar drew the shortest straw. Only a handful of energy subsectors were spared – one of them BESS. According to Greg Calhoun, managing director and head of energy transition at Fengate, BESS emerged as the clear winner out of the OBBBA.

"It hasn't changed our strategy – it's just proven it," said Calhoun. "Battery storage was the big winner coming out of this bill, which approved 14 years of investment tax credits for battery storage, with 10 years to start construction to qualify for those credits."

OBBBA tax incentives, combined with surging power demand, are creating fertile ground for BESS – and the development partnership is doubling down.

Fengate and AOP have a 400 megawatt-hour BESS in operations in California, are constructing a 400 megawatt-hour project in Texas, and are nearing construction on 1,400 megawatt-hour of projects across Texas and the southwestern United States.

Paul Choi, founder and chief executive officer of Alpha Omega Power (AOP), said batteries and AOP's operations are "generally unaffected" by the bill's restrictions. Choi puts it down to a couple of factors. First, the OBBBA's preference toward reliable and dispatchable forms of power generation sources.

"Solar and wind are intermittent, and the administration's preference is for reliable generation," said Choi.

"BESS is the only renewable energy source that is truly reliable," said Calhoun. "We invest in battery storage projects because they produce power when it is needed the most – when solar and wind projects are not producing – and when prices are at their peak, which is ideal for returns."

"A lot of solar and wind are going to get built in the next five years until the tax credits expire, but after that, battery storage is the only proven renewable technology with long-term tax credit certainty," he added.

The second factor is AOP management's foresight, which enabled it to mitigate tax headwinds early.

Choi said a proactive approach to supply chain diversification insulated AOP's pipeline from tariffs and new foreign entity of concern (FEOC) rules introduced by the OBBBA, which require the majority of BESS equipment to be sourced outside of China to qualify for the investment tax credit.

"Right now, more than 80 percent of battery cell supply goes through China. We have been planning for the past 15 months to form relationships with proven, tier one domestic suppliers in anticipation of policy changes," said Choi.

"AOP has done a phenomenal job to mitigate tariff risk. They had the foresight before the inauguration of President Trump to bring our battery equipment onshore," added Calhoun.

That foresight also meant AOP was able to expedite the construction of four BESS projects before the OBBBA was passed, safe harboring them under the previous tax code and exempting them from compliance with FEOC rules.

OBBBA tax changes also enable AOP to access up to 50 percent in investment tax credits for every development project.

"All BESS projects that AOP develop are in energy communities, which offers a 10 percent adder to the existing 30 percent investment tax credit, and utilizing domestic supply for battery equipment provides another 10 percent," said Calhoun.

Unprecedented demand for power in the United States is another confidence boost for BESS.

"Power supply growth cannot keep up with the power demand being driven by data centers, electrification and manufacturing," said Calhoun. "With demand projected to grow 25 percent by 2030, and the proliferation of renewables onto the grid, power prices and volatility will increase – so utilizing batteries to stabilize the grid is going to be critical."

Choi said AOP is poised to meet the demand for reliable power.

"Our team has collectively developed and operated more than 20 battery assets," said Choi. "Our Caballero project is in the top three in terms of availability and is ranked number one in revenue year to date in California. We self-integrated this best-in-class BESS project, which demonstrates AOP's battery expertise and ability to execute."

Battery storage is quickly becoming the backbone of the energy transition, with about 1,800 megawatt-hour of BESS projects currently under or nearing construction in Fengate's core markets.

"The only scalable, on-demand power source that can be built in the next five to 10 years is battery storage," said Calhoun. "AOP has accomplished a great deal in just two and a half years, which is a sign of what is to come."

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CORPORATE OVERVIEW

Fengate is a leading alternative investment manager focused on infrastructure, private equity and real estate strategies, with more than $7 billion of capital commitments under management. The firm has been investing in infrastructure since 2006 with a focus on mid-market greenfield and brownfield infrastructure assets in the transportation, social, energy transition and digital sectors. Fengate is one of North America's most active infrastructure investors and developers with a portfolio of more than 50 investments. Learn more at www.fengate.com.

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