With battery prices decreasing, now is the time to tackle utility-scale energy storage installations

By Shawn Wasim

November 30, 2023

The time to tackle utility-scale energy storage installations is now as current trends and future projections are showing cell prices returning to prepandemic numbers. These recent developments in battery prices should be catching the attention of utilities with plans for energy storage installations because, following a notable surge, prices are on a downward trajectory.

Battery price forecast 2024: How EV demand in China affects battery costs for US stationary storage projects

Watch our webinar on demand to learn how battery costs have changed in the past year and our projections for the next year.

Watch now

This shift is a positive signal for the industry, amplified by the Inflation Reduction Act (IRA) of 2022. This legislation has introduced lucrative incentives, particularly favoring green energy and energy storage initiatives.

Central to this shift are the incentives propelling installations forward. The Standalone Storage Investment Tax Credit (ITC), a 30% tax credit, is serving as a financial catalyst for developers and system owners. Complementing this, the IRA adds extra incentives, such as the Domestic Adder Bonus, which gives an additional 10% to energy storage system (ESS) developers that use systems with sufficient levels of domestically sourced components.

Material price fluctuations are an opportunity for utilities

The energy storage landscape has witnessed notable material price shifts, especially in lithium carbonate and lithium hydroxide. For example, starting the 2023 year at $80 per kilogram, these materials have undergone a remarkable 75% decrease, with long-term stabilization anticipated around $20 to $25 per kilogram.

The current market conditions—marked by reduced material prices, increased incentives, and high supply—present a unique opportunity for utilities to engage with battery installations. We recommend collaborating with developers and engineering, procurement, and construction firms to strategically balance energy grids.

> **The current market conditions—marked by reduced material prices, increased incentives, and high supply—present a unique opportunity for utilities to engage with battery installations.**

Our pricing projections show that, while currently standing at $110 per kilowatt-hour (kWh), average cell prices for stationary storage systems are projected to experience a spike in 2025, reaching $135 per kWh. But we expect the dynamics to balance out, with prices returning to $117 per kWh in 2026.

The driving force behind the price decrease is EVs

A pivotal driver behind recent market fluctuations is EV production. Leading companies in this space, such as Tesla, have expanded their reach into EVs and stationary energy storage solutions. But lower-than-expected EV sales in 2023 have prompted price wars and increased competition, particularly in the Chinese market.

Looking ahead, the consensus points to an exponential rise in demand for energy storage in the coming years, with growth rates in the double digits across all projections. While short-term fluctuations may present challenges, the broader outlook suggests a promising future for the energy storage sector. As global energy priorities shift toward sustainability, utility-scale energy storage remains a critical component in the evolving energy landscape.

New webinar: Battery price forecast 2024

If you’re ready to dive even further into what to expect of the battery market in 2024, tune into our webinar

on demand Battery price forecast 2024: How EV demand in China affects battery costs for US stationary storage projects.

> **Looking ahead, the consensus points to an exponential rise in demand for energy storage in the coming years, with growth rates in the double digits across all projections.**

We'll make sure you understand the factors that affect battery pricing and the implications of battery price fluctuations with updates that include:

- Materials availability for various types of batteries
- Manufacturing and production capacity and how the IRA has impacted that
- Demand growth for batteries
- Expected battery cost per kilowatt-hour from 2022 to 2024
- Cost of stationary energy storage projects

Watch today to gain valuable insight into the future trajectory of battery pricing and its implications for the industry.
