J.P.Morgan

Asia Pacific Equity Research
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Energy Storage (ESS) Development

Fluence +39% on AIDC ESS supply agreements; BNEF lifted 2026 ESS demand by ~30%

We have seen various positive developments along the ESS theme this week. On Thu, Fluence (covered by Mark Strouse, N, see his report) rose 39% (vs. the S&P's flat) on signing master supply agreements with two hyperscalers. The comment on more orders to surface in the next two subsequent quarters aligns with our expert call takeaways (report) that ESS is back-end loaded in a data center (DC) project. **Sungrow** shared similar commentaries in its 1Q26 briefing (report) and it is also pursuing more AIDC ESS orders; should this materialize, this could be a catalyst for Sungrow. Separately, BNEF lifted 2026 gloal ESS installation by ~30%. While BNEF is lifting numbers across all major regions, ~60% of the increment originated from China, driven by 15th FYP supportive policies, capacity payments and spot power market liberalization. We highlight key OW-rated names under J.P. Morgan APAC coverage: CATL-H/A, Sungrow, Samsung SDI, LGES and Nari.

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AIDC ESS: Key takes from expert call: (1) growth story powered by grid bottlenecks; (2) emerging regulatory catalyst ahead (4 May 2026)

ESS Battery: Impact of Middle East conflict on ESS demand: Expert call takeaways (5 May 2026)

Fluence's share price rose 39% on signing master supply agreements with two hyperscalers

During the 2Q briefing, Fluence (FLNC, N), covered by Mark Strouse (see his report), shared that it has signed two master supply agreements (MSA) with two hyperscalers. The company expects initial orders from these MSAs to materialize in F3Q26 and an increasing contribution to order intake during F4Q26. Its share price surged 39% (vs. the S&P's flat) on May 7 (US time). Management commented that pipeline rose 30% QoQ, in part due to rising Data Center (DC) use cases.

How this aligns with APAC companies: The commentary on the pace of DC-related ESS orders is in sync with takeaways from our recently hosted call (report), where an expert shared that ESS orders for data centers are back-end loaded, due to development sequence. Sungrow, during their 1Q26 briefing (report), shared that they have gained some ESS orders from DC but more are expected ahead and constructive on the amount of projects under discussion.

BNEF lifted 2026 global ESS installation by ~30%

BloombergNEF has lifted its 2026 ESS capacity installation estimates by ~30% or ~99GWh. While BNEF is lifting numbers across all major regions, ~60% of the increment originated from China, driven by 15th FYP supportive policies, capacity payments and spot power market liberalization.

Figure 1: Comparison between old and new global ESS capacity additions by region

ESS capacity addition in 2026 (MWh)	Old (2H25)	New (1H26)	Change %	Remarks
China	165,077	222,508	34.8%	New national target (180GW) in 2027, 15th FYP, and power market reform
US	47,979	64,540	34.5%	Continued tax credit support and safe harbored projects in the pipeline
Europe	45,978	55,259	20.2%	Large projects in Europe secured contracted revenues and tolling agreements
MENA	13,880	13,413	-3.4%	Mainly due to some fine-tunings in Saudi Arabia, Egypt and the UAE
Others	54,252	61,890	14.1%	Mostly attributed to Latin America, India, Southeast Asia and etc.
Buffer	32,717	41,761	27.6%	
Total	**359,882**	**459,371**	**27.6%**	

Source: BloombergNEF (2H 2025 vs 1H 2026 Global Energy Storage Market Outlook).

Digging deeper into different regions:

See page 4 for analyst certification and important disclosures, including non-US analyst disclosures.

China: BloombergNEF expects China's ESS capacity addition at 223GWh in 2026 (compared to its previous estimates at 165GWh). This is driven by supportive policies like the 15th Five-Year Plan, which positions storage as a strategic industry to aid renewable integration and grid reliability. Provinces are shifting from mandates to market-driven models, with spot and capacity markets expected to be established by 2028. New capacity payment standards are introducing revenue streams for storage, but project returns face uncertainty as mandate-driven revenues decline and charging costs rise. Despite these challenges, strong project bidding and continued renewable growth are expected to sustain demand for energy storage and shape evolving business models.

Europe: BloombergNEF expects European ESS capacity addition at 55GWh in 2026 (compared to its previous estimates at 46GWh), up 68% yoy, with major countries like the UK, Germany, and Iberia driving growth through large-scale projects and contracted revenue agreements. Governments are moving away from direct grants toward contracts-for-difference (CfD) and other mechanisms that manage downside risk and avoid subsidizing profitable projects. The EU's proposed Industrial Accelerator Act introduces "Union origin" criteria, favoring European-made battery components and likely raising project costs, though member states may opt out if costs or delays are excessive. Europe is also leading in tolling and flexible purchase agreements, which provide developers with greater revenue certainty and reduce exposure to price volatility.

US: BloombergNEF expects US ESS capacity addition at 65GWh in 2026 (compared to its previous estimates at 48GWh). This is supported by tax credits and projects protected from new supply chain restrictions. Policy changes have raised import tariffs and introduced new compliance requirements. The Material Assistant Cost Ratio (MACR) allows projects to mix compliant and non-compliant batteries for tax credits, but this brings policy and technical risks. Domestic battery manufacturing is ramping up, with major producers and automakers increasing output to meet demand, and by 2030, most US battery needs are expected to be met locally. States are also setting energy storage targets and holding auctions to drive further deployment and market growth.

Recommendations

The table below summarizes the key relevant stocks under J.P. Morgan coverage in APAC and their exposure to the ESS business.

- **Largest PCS supplier – Sungrow (OW):** Sungrow is the world's largest solar inverter producer by volume, gaining market share in recent years due to cost advantage. Sungrow offers superior product quality and stronger brand recognition compared to domestic peers. We expect Sungrow to benefit from robust ESS demand and rising orders from utilities and data centers.
- **China ESS battery: CATL-A (OW)** is the largest ESS battery maker globally and our top pick in China's battery value chain. **EVE Energy (N)** has the highest ESS exposure among covered battery makers, followed by **CALB (N)**. We also favor **BYD-H/A (OW)**, given strong demand for its EV models in overseas markets and benefits from vertical integration in EV and ESS.
- **Korean battery players see improved opportunities and margins in US ESS:** ESS order win momentum at **LGES (OW)** has been strong, and we estimate that the company has the largest LFP ESS order backlog among Korean battery makers. ESS visibility is also improving for **SDI (OW)**: US battery import data indicate that China-origin shipments have fallen further since July 2025 (post-OBBBA), while Korea-origin (largely SDI) shipments have risen sequentially, supporting an ongoing sourcing shift as US regulations remain effective. SDI's LFP cathode contract with L&F implies ~25GWh/year of US ESS shipments by 2028-29.

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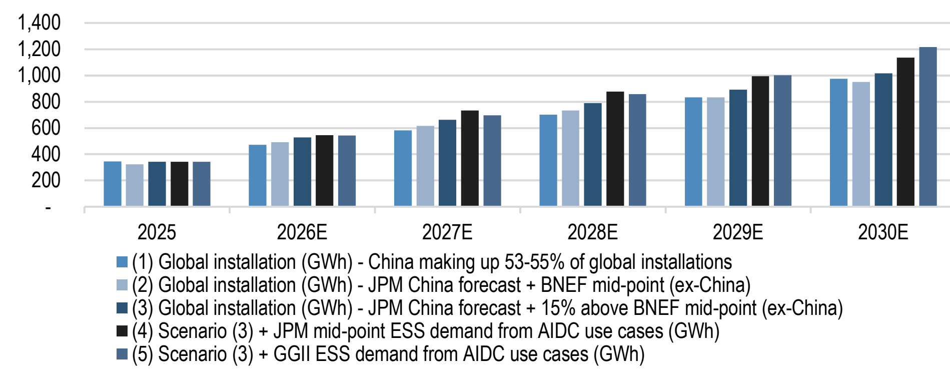
Figure 2: Summary of ESS value chain stocks under J.P. Morgan coverage

Company	Ticker	Cover Analyst	JPM Rating	ESS business	ESS revenue exposure FY25A	FY26E	FY27E	ESS volume exposure FY25A	FY26E	FY27E
CATL	300750 CH	Rebecca Wen	OW	ESS battery	15%	18%	22%	18%	22%	26%
CALB	3931 HK	Rebecca Wen	N	ESS battery	32%	27%	30%	41%	40%	43%
EVE Energy	300014 CH	Rebecca Wen	N	ESS battery	40%	38%	40%	59%	54%	56%
Gotion	002074 CH	Rebecca Wen	UW	ESS battery	19%	21%	24%	30%	33%	37%
BYD-H	1211 HK	Nick Lai	OW	ESS battery	4%	5%	n/a	20%	27%	n/a
LGES	373220 KS	Parsley Ong	OW	ESS battery	13%	33%	41%	8%	23%	31%
Samsung SDI	006400 KS	Sonny Lee	OW	ESS battery	22%	30%	31%	33%	44%	49%
Sungrow	300274 CH	Alan Hon	OW	PCS+EMS+integration	42%	49%	53%	n/a	n/a	n/a
Nari	600406 CH	Stephen Tsui	OW	BMS+PCS+EMS+integration	n/a	n/a	n/a	n/a	n/a	n/a
Xuji	000400 CH	Stephen Tsui	OW	PCS+EPC	n/a	n/a	n/a	n/a	n/a	n/a

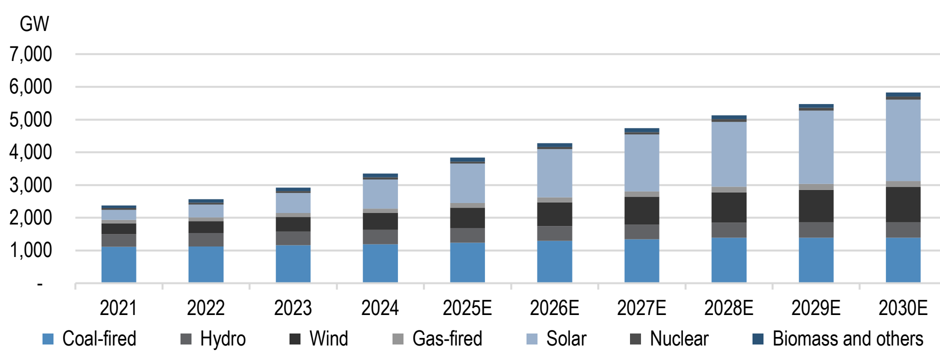
Source: Company data and J.P. Morgan estimates. Note: ESS battery may include BMS or system integration. EVE's ESS volume exposure refers to ESS battery volume over total power battery, not including consumer batteries. Gotion's FY25 exposure is JPMe. SDI's total revenue includes electronic materials and small batteries, while volume excludes electronic materials and small batteries.

Figure 3: Global ESS installation scenarios



Note: Incorporating 1H26 BNEF ESS forecasts
Source: BloombergNEF, J.P. Morgan estimates.

Figure 4: JPM China power capacity model



Source: CEC, NDRC, J.P. Morgan estimates.

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26-Oct-23	OW	409500	570,000
25-Jan-24	OW	380500	475,000
23-Apr-24	OW	378500	430,000
28-Jul-24	N	325000	330,000
08-Oct-24	N	420000	370,000
09-Nov-24	N	398500	340,000
09-Jul-25	OW	307000	360,000
27-Jul-25	OW	363500	420,000
27-Oct-25	OW	486500	580,000
24-Dec-25	OW	390000	500,000
09-Jan-26	OW	369500	430,000
08-Feb-26	OW	389500	450,000
22-Apr-26	OW	488000	510,000
30-Apr-26	OW	473000	530,000

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Apr 21, 2022. All share prices are as of market close on the previous business day.

Date	Rating	Price (W)	Price Target (W)
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19-Oct-23	OW	512000	850,000
12-Dec-23	OW	446000	600,000
31-Jan-24	OW	374500	550,000
31-Jul-24	OW	330500	400,000
07-Oct-24	OW	361500	450,000
16-Mar-25	N	191400	210,000
25-Apr-25	N	184700	200,000
29-Oct-25	N	309000	330,000
02-Mar-26	N	468000	400,000
30-Mar-26	OW	398500	650,000
24-Apr-26	OW	634000	720,000
28-Apr-26	OW	638000	770,000

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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