



Gear Up for AI/Data Center-driven Automaker BESS Exposures

The growing focus of automakers on the energy storage business introduces AI/data center investment considerations to auto ABS deals. Notable initiatives such as the launch of Ford Energy subsidiary, or General Motors collaboration with Redwood Materials, aim to accelerate automakers battery storage manufacturing and deployment. The companies look to leverage and expand their electronic vehicle (EV) battery technology. Data centers rapidly increasing demand for so-called battery energy storage systems (BESS) is a major tailwind underpinning the automakers business plans. Tesla is already very active in the sector. Toyota, Honda, and other automakers are also involved.

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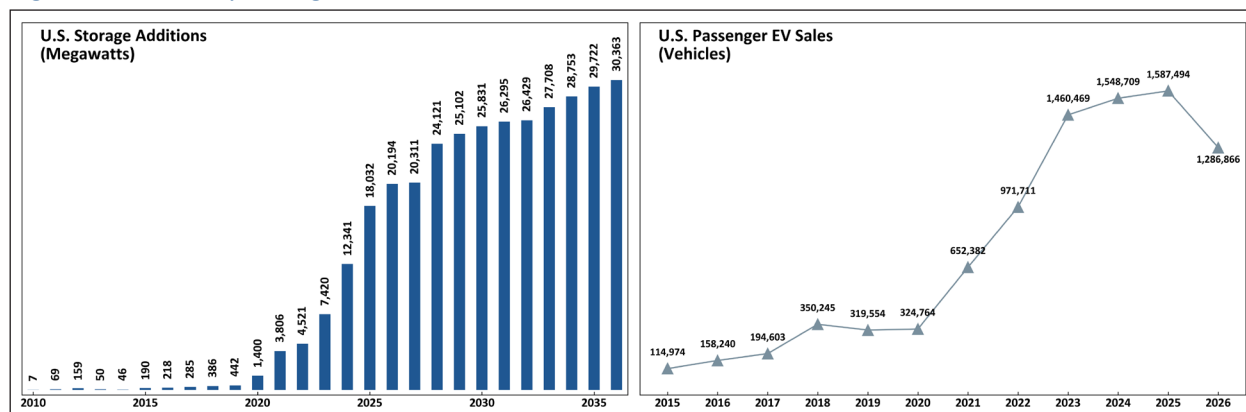
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The growth potential for the BESS business contrasts with a murkier outlook for EVs (Figure 1). EV consumer demand is softening following the cancelation of tax credits on the vehicles. EVs residual values have been volatile. Across auto ABS transactions, as well as auto rental deals, EV exposures typically pop up as credit negative, triggering stricter structural protections. If the automakers BESS pivot successfully pans out, it could offset the EV weakness.

It is too early to assess if and how BESS collateral finds its way to actual ABS transactions. To be sure, BESS can generate securitizable stream of cashflows, via loans or potentially through software service agreements. Issuers may choose to pursue pure-play BESS issuance, or offer diverse product pools, perhaps mixing vehicles and storage systems. The idea is not entirely far-fetched. Equipment ABS deals feature highly diverse product mix, including computer and IT infrastructure, oil and gas equipment, and corporate aircraft and marine assets. Deals now weave in data center GPU exposure as well. For auto ABS, the same battery technology automakers use for both EVs and storage systems may streamline collateral underwriting for both product types.

Figure 1. Stationary Storage vs EV Demand

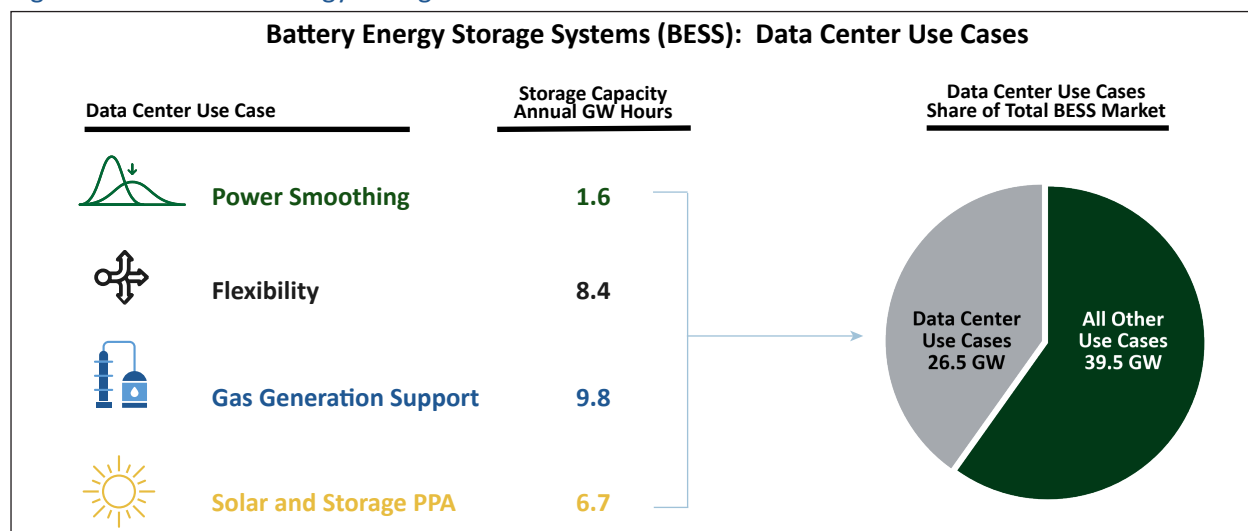


Source: BloombergNEF and Academy Securities

Underwriting Considerations for BESS Pools

AI/data center-driven exposures to BESS bring a mixed bag of underwriting considerations for investors. BESS can alleviate several headwinds and challenges data centers now face including (1) power load fluctuations in AI training centers, (2) slow grid interconnections, and (3) increasingly complex compliance with utility [requirements](#).¹ BESS also facilitates the rising preference for so-called behind-the-meter (BTM) power generation (Figure 2). Data centers implementing BESS may have competitive advantages in a crowded infrastructure landscape, fortifying collateral performance. Data centers that already have implemented BESS for power load smoothing, flexible interconnection, or backup power include xAI Macrohard (2.3+ GWh Tesla systems) or xAI Colosuss (1 GWh), both in Tennessee, or Crusoe’s Spark data centers in Nevada (63 MWh GM/Redwood Materials systems).

Figure 2. Data Center Energy Storage



Source: BloombergNEF and Academy Securities

On the flip side, data center-linked exposures can introduce new risk parameters to auto or equipment deals, including (1) the frequent chatter and the attendant market sentiment over bubble-like conditions in the AI infrastructure space, (2) highly fraught political and regulatory backdrop, and (3) emergence of unexpected roadblocks such as force majeure triggers. Data center investors are now knee deep in assessing such concerns. Auto investors likely not so much just yet.

- **Demand flexibility.** Battery storage can facilitate power demand flexibility. Data centers featuring such flexibility can expect streamlined grid connections, and perhaps more robust power cost structures and project timelines. Grid operators and utilities are looking to ease grid connections for power flexible properties, amid long [“large load” queues](#).² Investors are poised to see a new class of AI data centers purposefully developed to operate as “flexible energy assets”. BESS can play a major supportive role across this trend.

¹ “Power Costs: Data Centers and Recovery Bonds Poised for More Predictability,” Securitized Products Special Topics, Academy Securities, March 10, 2025

² “Demand Flexibility: Data Centers Are Not Standalone Properties,” Securitized Products Special Topics, Academy Securities, July 20, 2026

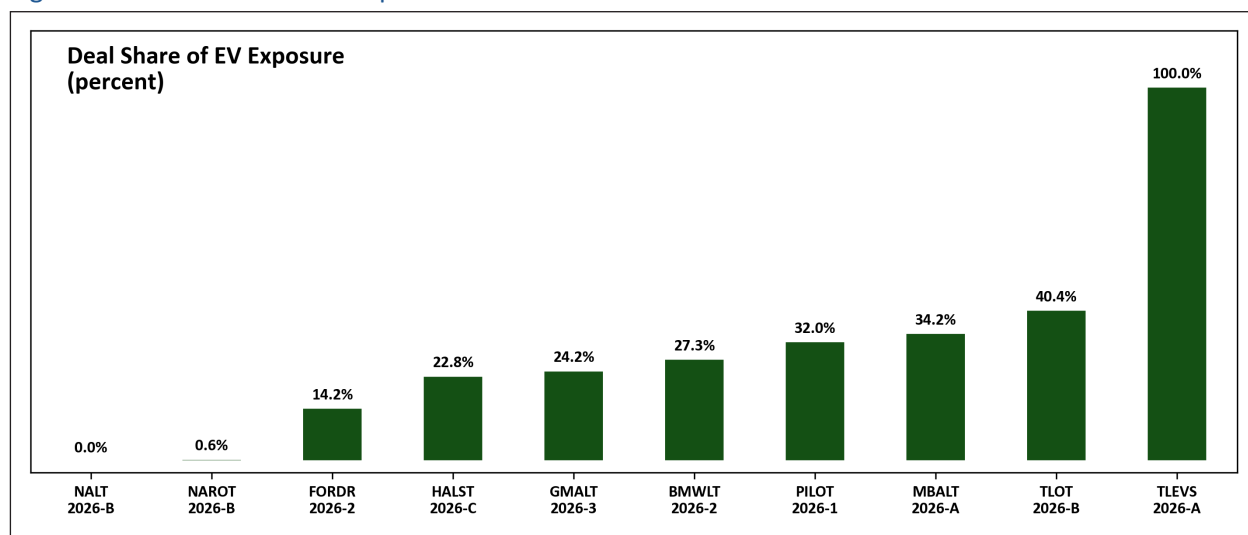
Energy Storage: Integrating Auto and Data Center ABS

- Political backlash.** As BESS gets more closely associated with data centers, the storage systems are getting tangled up in the accelerating political backlash against data centers. The number of state-level bills looking to restrict battery usage is growing fast. Eighteen states proposed battery legislation. Eight states enacted such legislation, according to press reports. Regulatory considerations could become critical for BESS outlook and performance, similar to [data centers](#).³ This will introduce an underwriting aspect that currently is not prevalent in auto ABS deals. To be sure, legislative and regulatory considerations can play a key role in the auto space. The cancellation of EV tax credit was a major catalyst for softening consumer demand for the vehicles. But negative popular sentiment to a product is something different.

Auto ABS EV Concentrations Suggest a Wide Range of BESS Exposures

Current EV shares across auto ABS pools suggest investors may see a wide range of BESS exposures in future transactions. Auto issuers offered EV-only deals, such as the \$750 million TLEVS 2026-A (Tesla Lease EV Securitization) issued last month. More diverse vehicle pools, such as the just-priced \$1.25 billion BMWLT 2026-2, or the \$1.38 billion FORDR 2026-2, feature varying EV concentrations, ranging from 14.2% to 40.4% (Figure 3). In turn, some auto deals have zero or negligible EV exposures.

Figure 3. Select Auto ABS EV Exposures



Source: Academy Securities

Rental fleet ABS deals typically have very low EV concentrations. For example, in the \$875 million HERTZ 2026-3/4 we see 4.8% EV exposure. In Avis Budget deals (AESOP transactions) we see negligible EV concentrations of ~0.2%. Interestingly, rental companies acknowledge that EVs may be sub-optimal for the rental car market, according to presales. Rating agencies are applying higher EV haircut assumptions to reflect the fact that EVs have experienced higher volatility in residual values.

³ "Stranded Assets: Intertwining Power Plants and Data Centers Performance," Securitized Products Special Topics, Academy Securities, February 5, 2026

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