This paper studies how subsidies affect the cost and production of solar systems put up by professional installers. The credence nature of such energy transforming technologies implies that installers have incentives to inflate costs or provide suboptimal services. Evidence in markets for credence goods further suggests that subsidies may increase aforementioned supply-side inefficiencies. We analyze observational data from California and study heterogeneity of second-degree moral hazard along three dimensions. First, our results indicate that installers inflate costs when customers receive unconditional upfront subsidies as compared to performance-based subsidies. Second, stricter verification rules reduce cost inflation. Third, the inflation of costs is particularly pronounced for third-party owned systems as well as government customers and less pronounced non-profit customers. In conclusion, the cost effectiveness of subsidy programs can be increased by imposing performance-based subsidies and rigorous verification rules, in particular on systems owned by a third-party or the government.