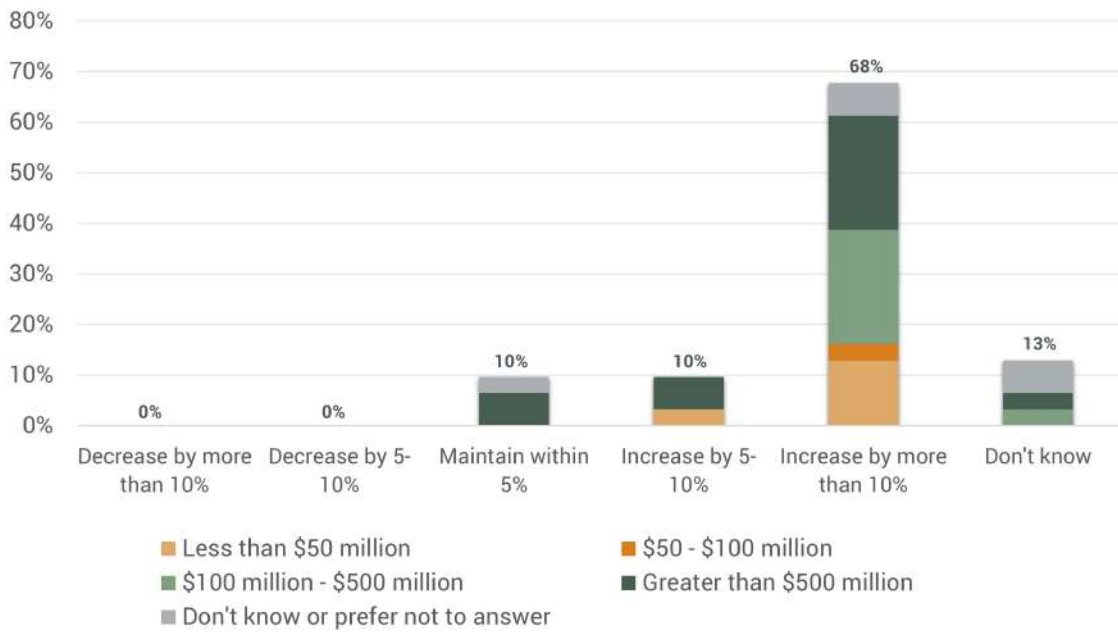
Near-Term Outlook: Company Plans, Availability of Financing Sources and Risk Appetites in 2021

Surveyed investors and developers largely plan to increase their activity in the U.S. renewable energy sector in 2021, and no companies expect to decrease activity.

More than two-thirds of surveyed investors (68%) report plans to increase their investments by more than 10 percent this year compared to 2020. No investors report plans to decrease their investments, although 13 percent remain uncertain. Notably, 70 percent of companies that invest greater than $100 million annually plan to increase investment by more than 10 percent compared to last year.

Figure 5: How Investors Plan to Change Their Renewable Energy Investment in 2021 Compared to 2020



Meanwhile, more than half of surveyed developers (52%) plan to "Increase" and 35 percent plan to "Significantly Increase" their renewable energy development this year compared to last year, while 13 percent plan to "Maintain" their current levels of development. All the companies that operate renewable energy businesses with revenues greater than $1 billion plan to increase their activity. No respondents plan to decrease their development activity.

The extensions of the renewable energy tax credits and safe-harbor deadlines in December 2020 notably affected development plans in 2021. Forty-five percent of developers report the extensions "Extremely Affected" their development plans, while 42 percent say the extensions "Moderately Affected" their strategies.

> *"The tax credit extensions certainly helped us on our pipeline."*
> *– Renewable Energy Developer*

Figure 6: How Developers Plan to Change Their Renewable Energy Development in 2021 Compared to 2020

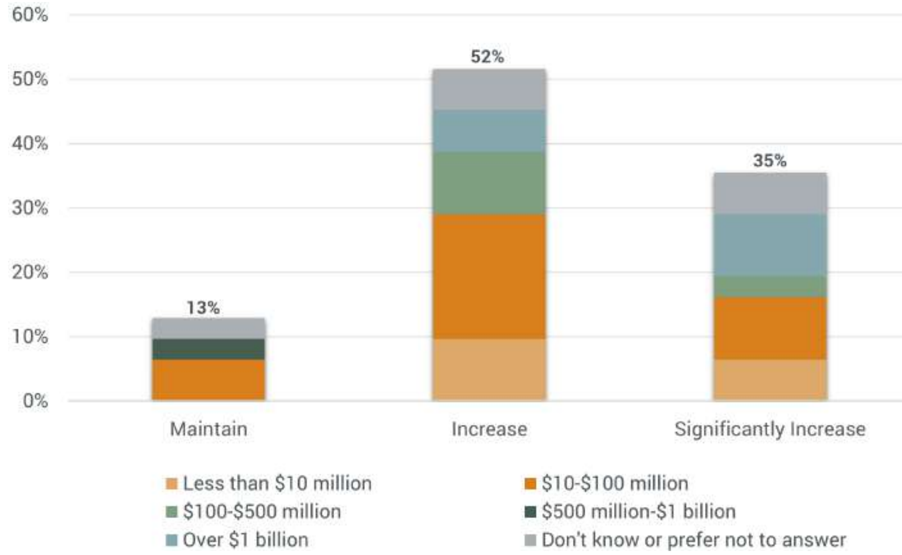
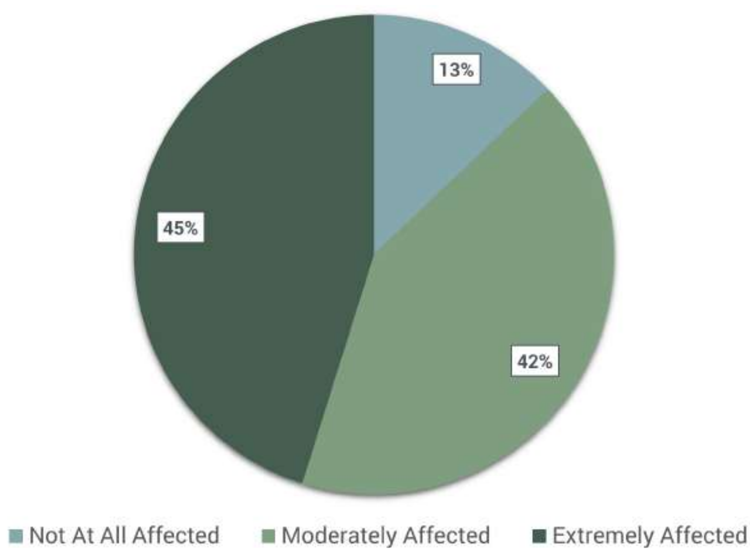


Figure 7: How the Dec. 2021 Tax Credit and Safe Harbor Extensions Affected Renewable Energy Developer Plans in 2021



On the other hand, some developers are experiencing regulatory and market barriers. One developer reports that the solar panel tariffs and delayed decision-making from FERC on the PJM Interconnection minimum offer price rule (MOPR) proceeding have hindered the company's near-term development plans.

> *"One of the biggest impacts to the industry's ability to grow is the tariffs – tariffs account for about 10 percent of [our] topline. On the regulatory side, FERC's unresolved decision-making in PJM has dampened our efforts on development in that market. We have a lot of stranded projects while we wait for a decision."*
> *– Renewable Energy Developer*

One investor describes the current market for renewable energy as "predictable" and "competitive" despite the events in the past year, such as the Texas power outages and the COVID-19 pandemic.

> *"[Renewable energy investment] has been fairly predictable and competitive at the moment. I don't think there's anything that unusual going on in the market. It seems to be fairly robust."*
> *– Renewable Energy Investor*

Tax equity remains the hardest-hit financing source for both investors and developers.

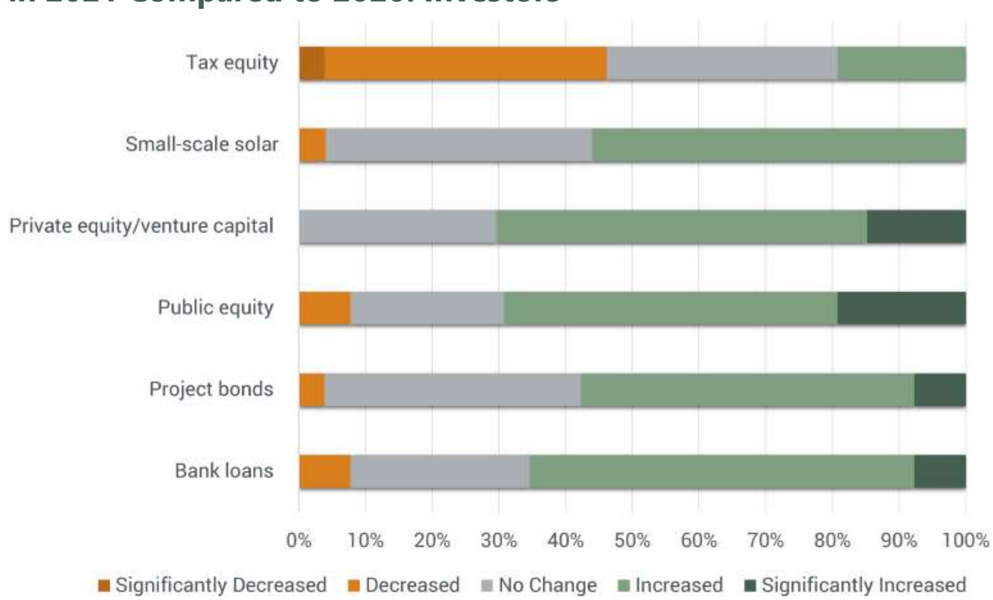
The observed tax equity constraints reported in ACORE's 2020 surveys remain.[20] More investors and developers observe a decrease in the availability of tax equity than any other surveyed financing source this year.

Forty-six percent of investors report that tax equity availability has either "Decreased" or "Significantly Decreased" within the past year. Just 19 percent report an "Increase." However, of the tax equity providers surveyed, fewer report a "Decrease" (33%) in the availability of tax equity, and a higher number (22%) report an "Increase."

> *"Tax equity is always the piece of the capital stack that's hardest to put in place and to pin down. The events in Texas have brought up questions for both tax equity providers and debt providers in that market."*
> *– Renewable Energy Investor*

By contrast, 50 percent or more of investors report an "Increase" in the availability of each of the other financing sources, and only a minority report a "Decrease."

Figure 8: Change in the Availability of Financing Sources in 2021 Compared to 2020: Investors



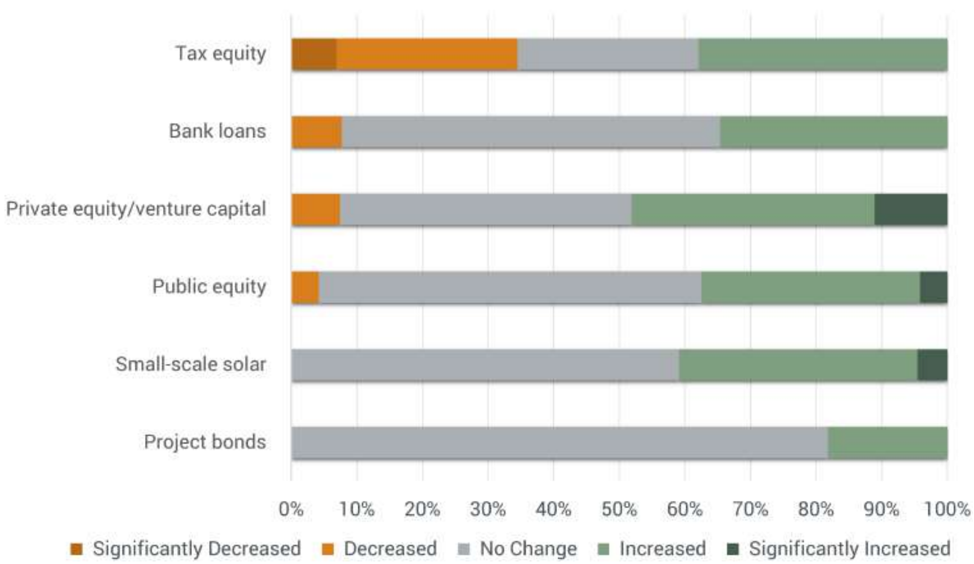
20 https://acore.org/wp-content/uploads/2020/07/Expectations-for-Renewable-Energy-Finance-in-2020-2023.pdf

Meanwhile, 35 percent of developers report the availability of tax equity has "Decreased" or "Significantly Decreased." This amount is higher than the proportion of developers who report decreases in the other surveyed financing sources, each of which does not exceed 10 percent. Twenty-eight percent of developers also report "No Change," and 38 percent report an "Increase" in tax equity availability.

One renewable energy developer reports that tax equity constraints caused a reduction in deals they made in the past year.

"Our company was able to close a few transactions, but I know that there are many other deals that didn't get done in that same time period. There's not enough tax equity capacity in the space."
– Renewable Energy Developer

Figure 9: Change in the Availability of Financing Sources in 2021 Compared to 2020: Developers



"While the broader industry continues to grow, COVID has significantly impacted the availability of tax equity. Finding investors with tax equity capacity is a significant challenge."
– Renewable Energy Developer