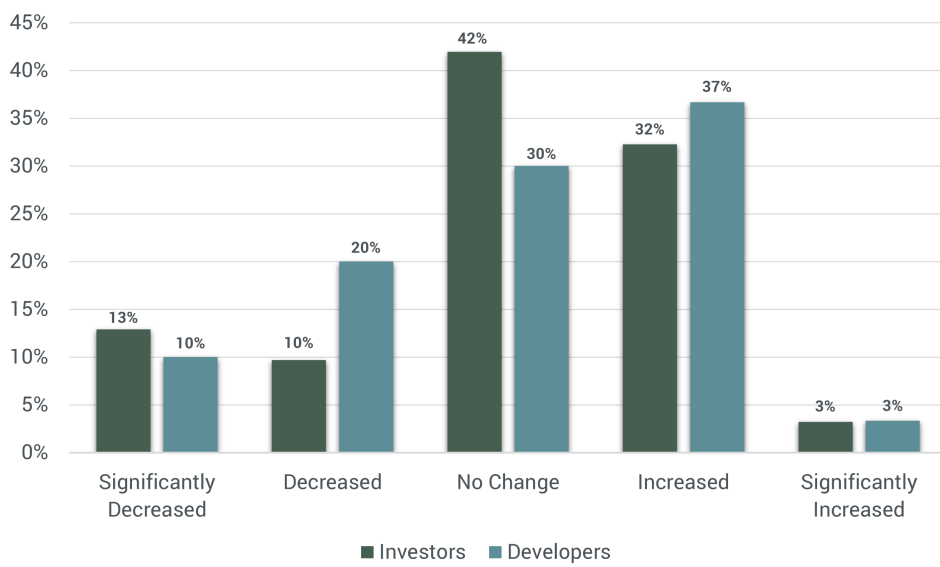
Another developer emphasizes the importance of direct payment options in place of federal tax credits to support developers in need of tax equity, highlighting that tax equity availability is central to their business decisions.

"Direct pay, direct pay, direct pay. I can't tell you how much it impacts our business every day from decisions about how we're going to bring the assets online, what markets we're going to go to, what projects that we're looking for to get PPAs."
– Renewable Energy Developer

Interest in hedged renewable energy or energy storage agreements is varied among investors and developers compared to last year.

Largely, interest in hedged agreements has either remained unchanged or increased in 2021; however, 23 percent of investors and 30 percent of developers report "Decreased" or "Significantly Decreased" interest.

Figure 10: Change in Interest in Hedge Agreements in 2021 Compared to 2020



Investors and developers who report a decrease in their appetite for hedges cite the February 2021 Texas power outages.

"Shape risk and basis risk are creating significant challenges coupled with low hedging prices."
– Renewable Energy Investor

"Texas outages are the reason to get out of Texas and rethink hedges."
– Renewable Energy Developer

"We have always steered clear of hedges where possible. Texas outages have confirmed this bias."
– Renewable Energy Investor

Other investors and developers are seeking different structures but will continue to seek opportunities in the Texas market.

> *"[We are] looking to different structures (e.g., as-generated or merchant in place of fixed share) and looking to cash equity investors for risk mitigation."*
> *– Renewable Energy Investor*

> *"From a risk perspective, finance communities are definitely taking a look at how deals get structured... It will be a challenge into the future to get projects done in Texas, even though from an economic perspective it makes a lot of sense for assets to be built there because solar is cheaper than gas and many other forms of generation."*
> *– Renewable Energy Developer*

Most investors' and developers' risk appetites have increased or remained consistent compared to last year.

Despite the challenges noted above, more than half of developers (53%) and 39 percent of investors report "Increased" risk appetites compared to 2020. But 10 percent of investors and seven percent of developers report their risk appetites have "Decreased."

Figure 11: Change in Investor Risk Appetites in 2021 Compared to 2020

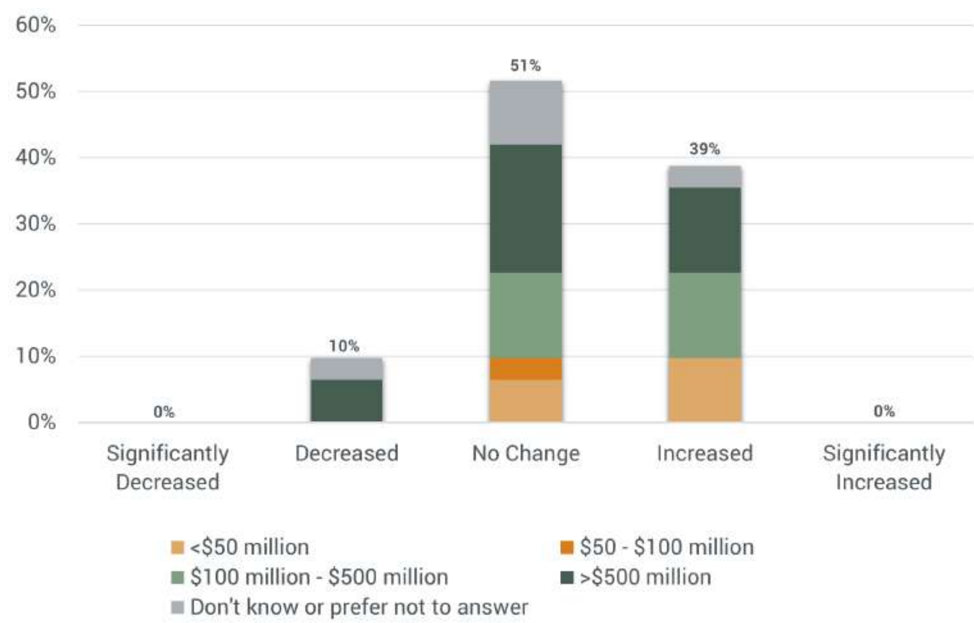
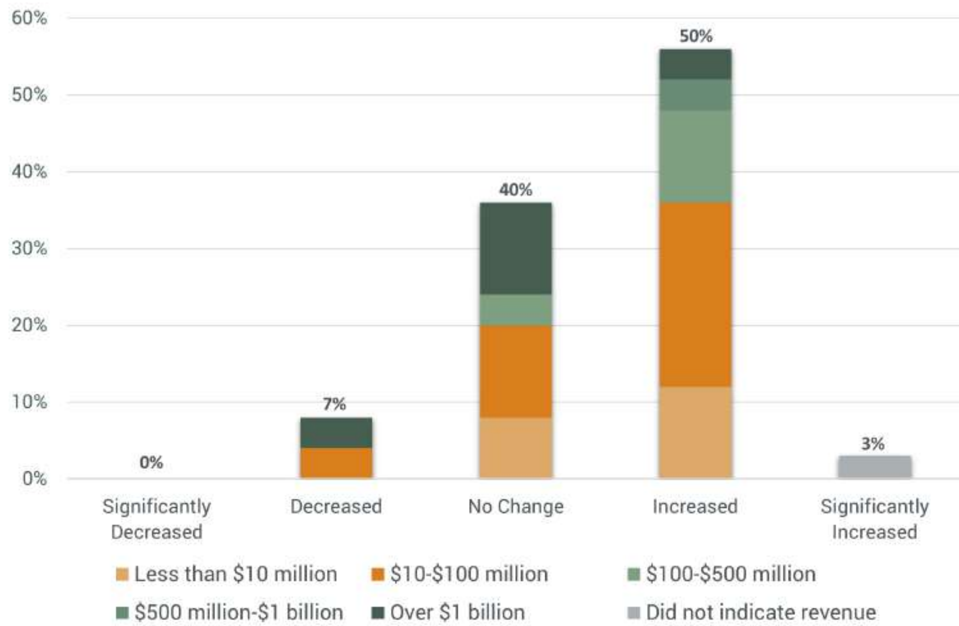


Figure 12: Change in Developer Risk Appetites in 2021 Compared to 2020



Investor and developer risk appetites do not vary significantly across company sizes. Generally, a higher percentage of investor respondents (58%) indicating “No Change” or “Increased” risk appetites fall among the higher investment ranges ($100 million or greater).

Among developers, the higher percentage of respondents (60%) indicating “No Change” or “Increased” risk appetites fall among the lower revenue ranges ($500 million and below). The seven percent of developer respondents who indicate “Decreased” risk appetites belong to the $10-$100 million revenue range (~3.5%) and the over $1 billion range (~3.5%).

According to one renewable energy developer, the willingness to take increased risk comes from the availability of more information surrounding renewable energy technologies.

“It’s a function of more data points... seeing some of our competitors and some people that we’ve worked with have success in...moving to batteries and moving towards different RTOs that weren’t originally the hot spots.”
– Renewable Energy Developer

“We have to think creatively with more competition in the market and more opportunity.”
– Renewable Energy Developer

MID-TERM OUTLOOK: SECTOR CONFIDENCE, MARKET PERCEPTIONS, AND POLICY PRIORITIES IN 2021-2024