

---

---

# QUARTERLY CONSIDERATIONS – Q4 2021

The CohnReznick Capital  
Newsletter provides a snapshot  
of the evolving sustainable  
finance and M&A landscape.



# Trends in Mergers and Acquisitions (M&A)

**Platform M&A has boomed in 2021.** Despite initial uncertainty caused by the pandemic, the M&A market has grown significantly over the last year. Industry fears that M&A would slow to a crawl or halt entirely were ultimately disproved as people acclimated to working from home and deal-flow resumed. M&A transactions picked up in the fourth quarter of 2020, and platform M&A continued to surge through 2021 with a total of seventeen M&A deals completed year to date<sup>1</sup>. **CRC expects the platform M&A market to remain strong through 2022 and into 2023**, with M&A activity subsiding to lower but still healthy levels when the number of qualified development platforms becomes reduced. Several factors seem to be driving this surge:

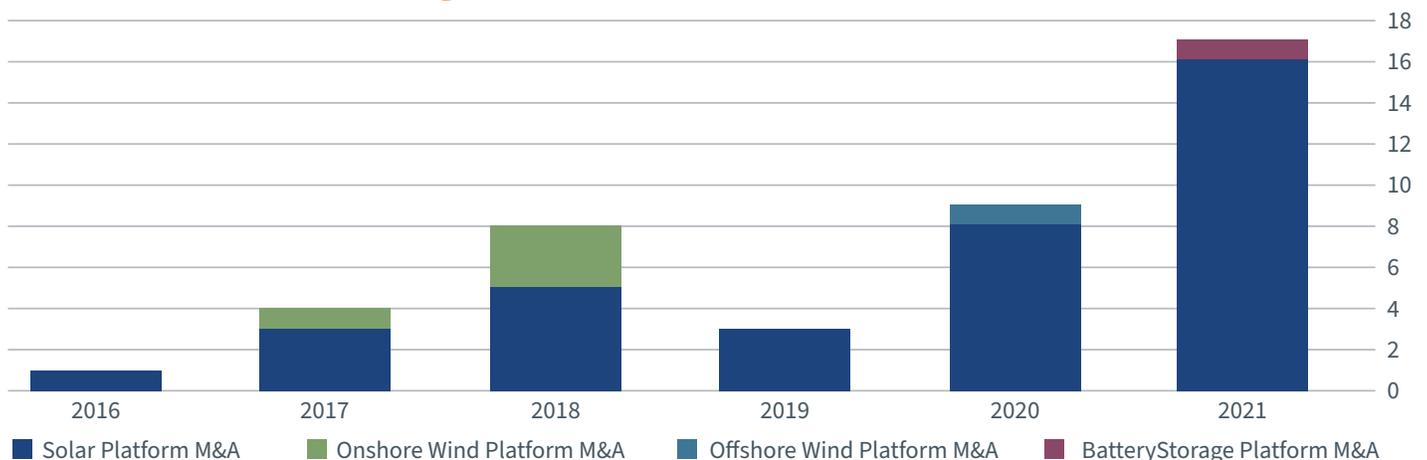
- **Competition for project M&A is fierce.** Many companies are looking to buy renewable energy projects but are unable to win competitive solicitations. If a company is big enough to buy a development platform, it can build projects and hold them long-term. For companies looking to fill their portfolio and satisfy their ESG mandates, acquiring a platform allows them to scale much faster than buying individual projects.
- **Purchasing a development platform tends to provide better risk-adjusted returns** than acquiring a portfolio of projects. Acquisition of a development platform creates a path to not only more projects but to better risk-adjusted returns.
- **Companies are expressing a fear of missing out.** While there are hundreds of small developers in the US, there are a limited number of qualified developers who have both a successful track record of bringing projects online and a robust pipeline of early and late-stage development assets. As more development platforms get acquired, the remaining number of attractive platforms declines.

With more companies looking to add development arms that own assets long-term, the industry will shift to having fewer projects available for sale at NTP (“Notice to Proceed”). Developers remaining independent will see more competition among project buyers. The rise in utility solar platform M&A is also likely to give way to increased acquisition of C&I solar platforms. With few utility-scale solar development platforms remaining, companies will begin looking for alternative acquisitions and eye C&I solar.

**The M&A bidding process is also shifting.** Developers now often get inbound bids and solicitations for acquisition before they even decide to begin a sale process. This allows developers to not only get a preview of sale prices, but it also primes them for a quicker sale to a narrow pool of attractive investors. In most M&A bidding processes, advisors might reach out to 50 to 100 potential investors. Today, with so much interest, advisors are often going out to just four or five investors that have been pre-screened, allowing for a much shorter sales process.

**There has been significant expansion in the type of investors, the volume of investors, and the valuation of platforms.** Historically, most investors have been utilities or large independent power producers. Oil and gas supermajors have now entered the market. Pension boards, investment and wealth funds, and insurance companies are showing interest in acquiring both projects and platforms, as well. Even companies like LEGO have begun acquiring renewable energy projects and platforms. While newer, less experienced corporations outside of the energy and power sectors don’t consistently win bids, the number of new entrants has made the bidding process more competitive. The increase in investor appetite for platform M&A has also changed how platforms are evaluated. The historical approach has been to look at a platform’s track record of development and analysis of 12 to 24 months of asset pipeline. Now, platforms are considered for their long-term potential, resulting in a 2x-4x increase on platform valuations compared to two years ago.

## Closed Renewable Energy Platform M&A<sup>2</sup>



<sup>1</sup> & <sup>2</sup> Announcements tracked from Sparksread.com, Renewablesnow.com, and available press releases

## Project Finance Trends

**The tax equity (TE) market has emerged strong.** Pandemic-related concerns were allayed here, too, with growth in both tax equity volume and the number of TE investors over the past year. 2021 TE volume surpassed \$19B<sup>3</sup>, exceeding 2020's \$16.5B highwater mark. The number of TE investors has also rebounded and is on pace to exceed pre-pandemic levels. Several investors who exited the market at the onset of the pandemic have since returned, and new TE investors have entered the market each quarter. The rise in new tax equity investors is driven by two factors:

- **ESG (“Environmental, Social and Governance”)** mandates are pushing corporations to invest in renewables and sustainability. The heads of treasury and tax departments of major corporations who previously expressed interest in TE investment but never executed are now pursuing it to fulfill ESG mandates from upper management. Notable first-time entrants like Nestlé have now emerged as active tax equity investors.
- **The emergence of tax equity syndication** is enabling more companies to invest. Leading TE investors have successfully established syndication desks where they are able to underwrite and syndicate investments to their base of tax equity relationships. These syndications are becoming an easy avenue for new entrants, particularly corporations.

**The total number of tax equity investors has risen to over 70.** However, there is still likely to be insufficient TE supply for the next two to three years due to demand growth outpacing increasing supply. Despite an influx of new investors, the offshore wind, carbon capture utilization and sequestration (CCUS), and battery storage markets will continue growing at a rapid pace. Strong interest in these new technologies will pull TE supply away from solar and wind, creating an imbalance. It will take several years for new investors, especially corporations, to start investing sufficient TE volume to meet demand.

**If passed, the Build Back Better Act will likely change how renewable energy finance unfolds.** Direct pay, PTC for wind and solar, ITC for offshore wind or battery storage, carbon capture credits, as well as a slew of other proposed incentives, may change the dynamic of the renewables industry. While we cannot speculate what legislation will pass, CRC will keep its clients informed on material changes in order to stay ahead of evolving market conditions.

## Terms from a Sampling of Recent 2021 Yield Based Flip Tax Equity Transactions

S. no	TE Flip Yield	TE% of FMV	Type	Cash Allocation Pre-flip	Cash Allocation Post-flip	Income Allocation Pre-flip	Income Allocation Post-flip	TE Flip Term (years)
1	7.25%	33.30%	Utility PV	35.0%	5.0%	99.0%	5.0%	7.0
2	8.00%	35.09%	Utility PV	25% P50 / 50% P99	5.0%	99.0%	5.0%	6.5
3	6.50%	30.80%	Utility PV	19.2%	5.0%	99.0%	5.0%	8.5
4	6.50%	36.96%	Utility PV	25.00% / 50.00%	5.0%	99.00% / 67.00% / 5.00%	5.0%	8.1

<sup>3</sup> Proprietary market intelligence and available data



## Key Quarterly Topic – ESG Impact on Renewable Finance

More than ever before, the effect of ESG mandates on the renewable energy sector is profound. Sustainability pledges historically drove interest in renewable energy investments, but very few companies took action. Now, we are seeing ESG mandates drive an influx of new corporate TE investors for solar, wind, CCUS, and storage. ESG mandates are also driving interest in M&A, shifting how corporations allocate capital to meet long-term ESG goals. In the next few years, we will see more ESG investments in financial disclosures. With greater scrutiny from outside investors, we expect this will lead to an increased surge in investments into renewables.

At COP26, a coalition of some of the world’s largest financial institutions and insurance companies in control of \$130 trillion in assets pledged to achieve net zero global emissions by 2050. To show progress is being made, we believe most corporations

will include financial and emissions disclosure that can be measured and compared across companies and industries. This will push ESG mandates and pledges beyond high-level aspirations and into actionable corporate operations. With disclosures come greater scrutiny from shareholders, consumers, and pressure for companies to exceed the ESG targets of their competitors.

Expanded corporate disclosure will drive an even greater influx of corporate investors to renewables. The early adopters will have initial success with investments, creating a positive feedback loop and inspiring competitors to invest as well. This will continue until corporate investors begin to rival large banks as the largest category of renewable energy investors in the market.

### Top CRC Deals in 2021

Buyer/Financer	Seller/Sponsor	CRC Role	Type	Date	Transaction Synopsis
Ares Management	Apex Clean Energy	Sell-Side Advisor	Platform M&A	10/2021	Sale of 30GW Solar, Wind, and Storage Platform
<i>Confidential</i>	TX Energy	Sell-Side Advisor	Platform M&A	6/2021	Sale of 9GW Solar Development Platform
ECP	Pivot Energy	Sell-Side Advisor	Platform M&A	6/2021	Sale of Distributed Energy Platform
<i>Confidential</i>	DSD Renewables	Financial Advisor to Sponsor	Tax Equity Raise	5/2021	Tax Equity Financing for 90MW DG Solar + Storage Portfolio
<i>Confidential</i>	CIM	Financial Advisor to Sponsor	Tax Equity Raise	5/2021	Tax Equity and Back Leverage Raise for 250MW Utility-Scale Solar Project
S&B USA	Capital Dynamics	Sell-Side Advisor	Asset Sale	5/2021	Sale of Equity Interest in 100 MW/400 MWh Standalone Storage Project
Foss & Company	Summit Ridge Energy	Financial Advisor to Sponsor	Tax Equity Raise	4/2021	Tax Equity Financing for 73MW Community Solar Portfolio
Leeward	First Solar	Sell-Side Advisor	Platform M&A	3/2021	Sale of 10GW Solar Development Platform



# About CohnReznick Capital

CohnReznick Capital is a renewable energy investment bank providing superior advisory services to the sustainability sector. Since 2008, the firm has executed more than 215 project and corporate transactions for renewable energy assets, valued at over \$33 billion in aggregate. CohnReznick Capital is wholly committed to the clean energy transition and delivers exceptional services for financial institutions, infrastructure funds, strategic participants (IPPs and utilities), and global clean energy developers. CohnReznick Capital's team of experts helps clients break through the dynamic and evolving sustainability sector by simplifying project finance, M&A, capital raising, and special situations. To learn more, please visit [www.cohnreznickcapital.com](http://www.cohnreznickcapital.com), follow [@CR\\_Capital](#) on Twitter, and connect with us on [LinkedIn](#).

CohnReznick Capital ("CohnReznick") defines this Report as "Institutional Sales Material" and contains communication that is distributed or made available only to institutional investors. This Report constitutes confidential information. While the information provided herein is believed to be accurate and reliable, neither CohnReznick, nor any affiliate makes any representations or warranties, express or implied, as to the accuracy or completeness of such information. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this Report. The information contained herein was prepared expressly for use herein and is based on significant assumptions and elements of subjective judgment and analysis which may or may not be correct and, as such, such estimates may not be realized. Furthermore, the information contained herein includes materials obtained from third parties and CohnReznick has not independently verified the accuracy of any such information. Moreover, these materials contain forward looking statements and whether or not any such forward looking statements or projections, targets, estimates or forecasts are in fact achieved will depend upon future events which are not within the control of CohnReznick. Accordingly, actual results may vary from the projected results and such variations may be material. Neither CohnReznick, nor any of their affiliates shall have any liability for any errors in or omissions from this Report or any other written or oral communications transmitted or made available to in connection with this Report.

In furnishing this Report, CohnReznick reserves the right to amend or replace the Report at any time but undertakes no obligation to do so or to provide the recipient with access to any additional information or correct any inaccuracies or omissions.

Prospective recipients are deemed to be sophisticated parties and should, together with their financial, legal, accounting, tax and other advisors, conduct their own investigation and analysis and rely on their own judgment in their evaluation.

This Report shall not constitute an offer for a sale of securities or a sale of assets in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. No securities will be registered under the Securities Act of 1933, as amended (the "Act"), or any applicable state or foreign securities laws, nor has the Securities and Exchange Commission or any state or foreign regulatory authority passed upon the accuracy or adequacy of the information contained in this Report and any representation to the contrary is unlawful. Any securities shall be offered pursuant to exemptions from registration under the Act, certain state securities laws and certain rules and regulations promulgated pursuant thereto. Any such securities may not be further transferred in the absence of an effective registration statement under the Act and any applicable state or foreign securities laws or an applicable exemption therefrom. In addition, operating agreements pertaining to the securities and/or wind projects may contain contractual restrictions on transfers.

CohnReznick Capital makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Report, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

CohnReznick has not independently verified any of the third-party information used in this Report and assumes no responsibility for its accuracy or completeness. This material is not for external distribution.

## IRS CIRCULAR 230 NOTICE

Any tax statement herein regarding any U.S. Federal Tax is not intended or written to be used and cannot be used, by any taxpayer for the purpose of avoiding any penalties. Any such statement herein was written to support the marketing or promotion of the transactions(s) or matter(s) to which the statement relates. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Notwithstanding anything herein to the contrary, each recipient (and each employee, representative, or other agent of such recipient) may disclose to any and all other persons, without limitation of any kind, the tax treatment and tax structure of the transactions described herein, and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure. For this purpose, the tax treatment of a transaction is the purported or claimed U.S. federal income tax treatment of the transaction and the tax structure of a transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the transaction.

This Analysis is not intended to provide, and should not be relied upon for, legal, tax, regulatory, financial, accounting or investment advice. Prior to entering into any transaction (a "Transaction"), you should determine, without reliance upon CohnReznick Capital, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this Analysis, you acknowledge that (a) CohnReznick Capital is not in the business of providing (and you are not relying on CohnReznick Capital for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) if applicable, you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimers to these matters.

This Analysis does not purport to be complete on any topic addressed and does not contain risk disclosures that are material to any particular Transaction. The information in the Analysis is provided to you as of the dates indicated and neither CohnReznick Capital may not update the information after its distribution, even in the event that the information becomes materially inaccurate. Certain information contained in the Analysis includes calculations or figures which have been prepared by CohnReznick Capital and have not been audited or verified by a third party. In addition, some information is provided by third party sources and although believes to be reliable, has not been independently verified. Use of different methods for preparing, calculating or presenting information may lead to different results and such differences may be material.

CohnReznick Capital is engaged in or may be engaged in the future in investment banking, securities trading, brokerage activities and principal investing activities, as well as providing financial advisory services. The Analysis is not an expressed nor an implied agreement by CohnReznick Capital to act in any capacity with respect to you, and any such agreement shall only be as set forth in an executed engagement letter, the terms of which are to be agreed upon by you and CRC. This Analysis in no way restricts CohnReznick Capital from any other engagement, including acting in any capacity in a manner adverse to you.

No fiduciary, advisory or agency relationship between CohnReznick Capital, on the one hand, and you and your affiliates, employees, officers, directors, or stockholders on the other hand, has been created in respect of the Analysis, and none of your affiliates, employees, officers, directors, or stockholders may rely on the Analysis.

