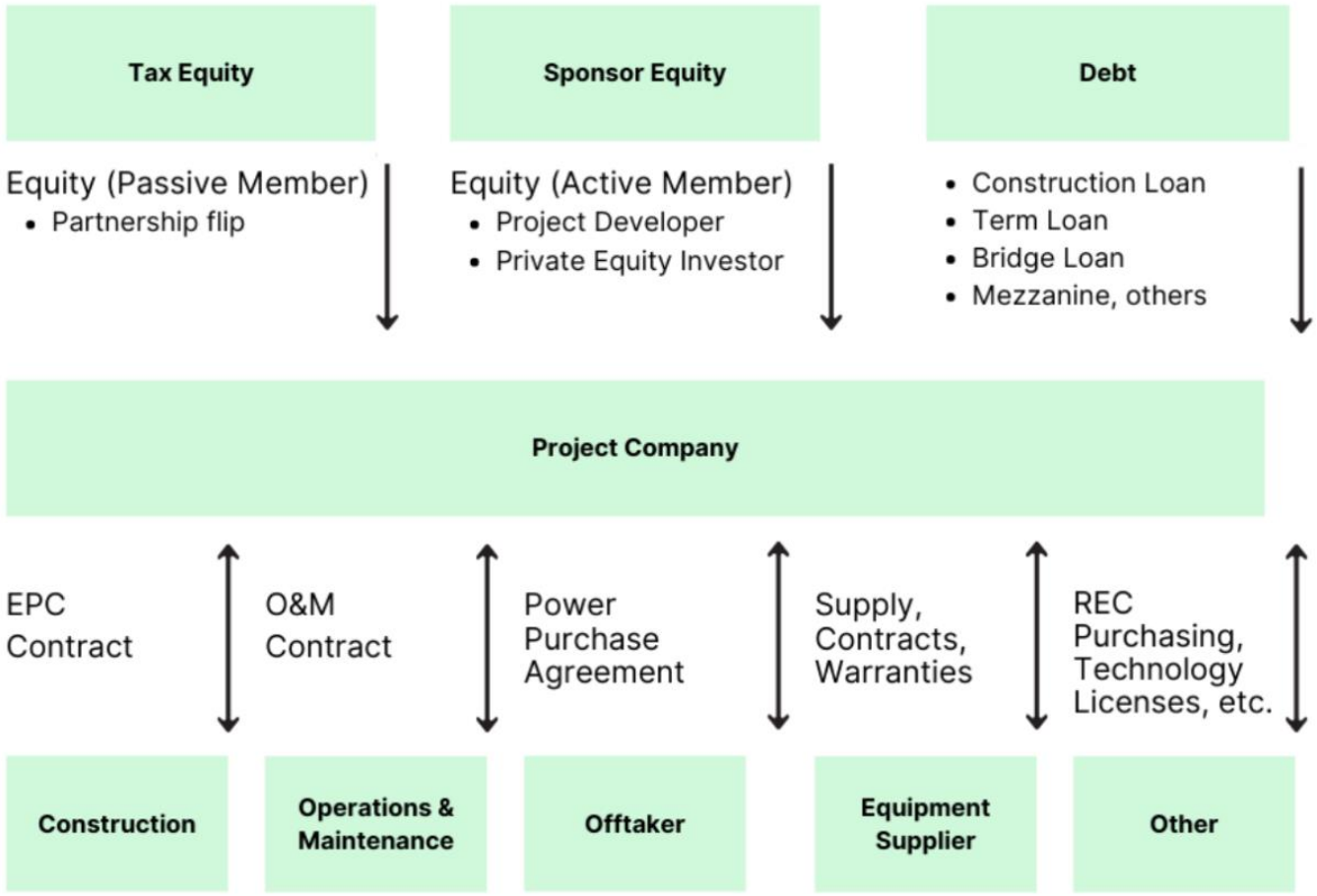
Finance and Investment

(The Basics of the Capital Stack for Existing and Emerging Tech)

The Basics of Project Finance

- Equity (Tax and Cash/Sponsor)
- Debt (Lenders)

- Project Development



Source: ACORE

The Basics of Tax Equity

- Reduce tax equity investors' tax liabilities
  - Receive tax credits + accelerated depreciation deductions + priority in stack
  - *The IRA included transferability and direct pay options*
- PTC/ITC
  - PTC = Based on Production
  - ITC = Based on % of Project Cost
  - Value of credits can increased with additional bonus adders (Domestic Content, Energy Communities, Low-Income Communities)
- Tax equity often structured to enable construction debt financing
- Various structures
  - Partnership Flips, Sale Leaseback, Inverted (Pass-Through) Lease

Risk Mitigation

- PPAs (virtual/physical)
  - Term
  - Events of Default/Liquidated Damages
  - Pricing
  - Performance/Availability Guarantees
  - Curtailment/Negative Pricing/Basis

- Risks – Who wears?
  - Construction Risk – overbudget, missing deadlines, reaching COD?
  - Technology Risk – tested/proven?
  - Counterparty Risk – solvency?
  - Revenue Risk – how are payments received?
  - Operational Risk – performance?
  - Regulatory Risk – changes to existing laws/regulations?

The OBBB

- Qualification for PTC/ITC now varies by technology and depends on Construction and Placed In-Service Dates
  - Solar/Wind construction before 2025 = Unaffected
  - Solar/Wind construction before July 2026 = Full eligibility if placed in-service by end of 2027
  - Solar Wind construction after July 2026 = Must be placed in-service by 2030
  - Other technologies have a longer runway = Phase down after 2033

- Foreign Entity of Concern (FEOC)
  - Applies to all technologies
  - Foreign-influenced, ownership, and effective control restrictions
  - Material Assistance cost ratios by technology and year
  - Introduces additional recapture risk

Material Assistance Cost Ratios Bipartisan Policy Center

Year	Clean Electricity PTC*/ITC** (48E and 45Y)	Solar Components (45X)	Wind Components (45X)	Inverters (45X)	Battery Components (45X)	Critical Minerals (45X)
2026		50%	85%	50%	60%	0%
2027	45%	60%	90%	55%	65%	0%
2028	50%	70%		60%	70%	0%
2029	55%	80%		65%	80%	0%
2030	60%	85%		70%	85%	25%
2031	60%	85%		70%	85%	30%
2032	60%	85%		70%	85%	40%
After 2032	60%	85%		70%	85%	50%

Going forward

- Corporate Goals? RECs? Impact of GHG measurement changes?
- Impact of FEOC on all technologies?
- Market design changes?
- What happens after July 2026? Will we see different tech investment?