



US PREF

U.S. Partnership for  
Renewable Energy Finance

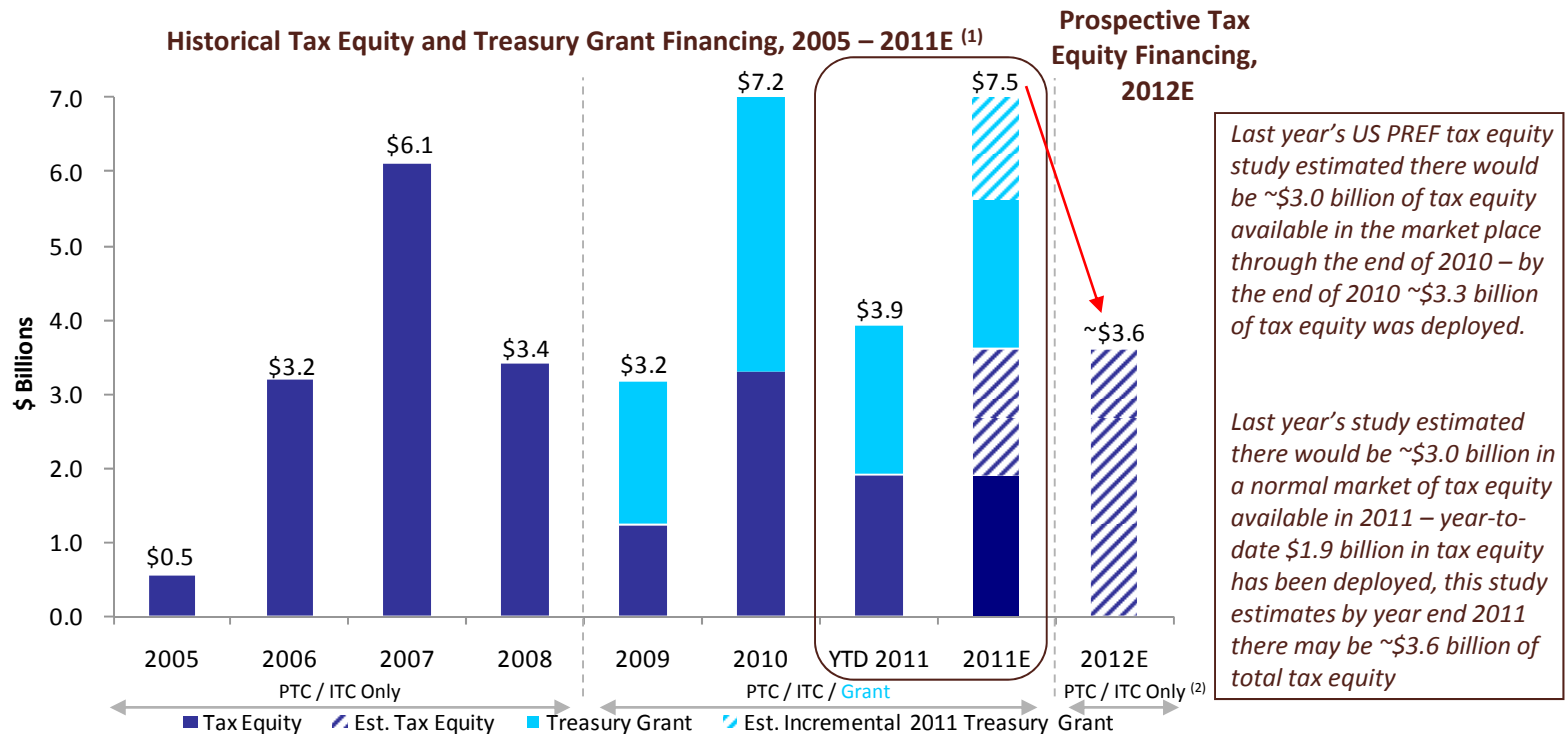
Prospective 2011 – 2012

Tax Equity Market Observations

July 2011

# Success of the 1603 Treasury Grant

- In 2009, the Section 1603 Cash Grant program was introduced and stabilized the renewable energy market by providing \$1.9 billion of cash grants in lieu of tax credits, more than doubling the depth of the \$1.2 billion broken tax equity market and keeping the level of renewable energy project finance nearly constant with levels achieved in 2008. **This was a successful Federal program**
- In 2010, the Section 1603 Cash Grant program accelerated the penetration of the renewable energy market by providing \$3.9 billion of cash grants in lieu of tax credits – the Cash Grant continued to fill a void for renewable energy project finance in a market place with an overall shortage of tax equity; **promoting job growth, installation of renewable MWs, and broader economic development**
- The tax equity market has recovered since the depths of the financial crisis in 2009, but the cash grant continues to play a crucial role in meeting the demand for renewable energy project finance by **promoting job growth, installation of renewable MWs, and broader economic development**



Sources: U.S. Department of The Treasury, US PREF Estimates, Leading Tax Equity Market Participants

(1) Includes all 1603 Treasury Grants for renewable projects

(2) Projects with 5% equity spend or in continuous construction prior to 12/31/2011 and that achieve COD by 12/31/2012 are eligible for the Section 1603 cash grant

# 2011 Tax Equity Market Participants

- There are currently 15 tax equity investors active in renewable energy
- Many of these participants are lead tax equity investors that have complete deal teams who originate and process tax equity requests; lead investors may choose to syndicate a portion of their exposure to other syndicate tax equity investors that comprise the other participants in the market

## Selected 2011 Tax Equity Investors

<u>Firm</u>	<u>Contact</u>
Bank of America	Jack Cargas
J.P. Morgan	John Eber
GE Capital	Kevin Walsh
Union Bank	Lance Markowitz
Citi	Marshal Salant
Credit Suisse	Jerry Smith
Morgan Stanley	Jorge Iraborri
Google	Rick Needham
MetLife	Jeetu Balchandani
PNC	Dick Rai
PG&E	Brian Steel
Wells Fargo	Barry Neal
Northern Trust	Glen Davis
Key	Paul Pace
U.S. Bank	Darren Van't Hof

## Survey Considerations

- US PREF canvassed the leading tax equity market participants to prepare the study
  - Each market participant projected the anticipated supply of tax equity capital their institution would have available for the balance of 2011 and 2012
  - Resulting bottoms-up build led to approximately \$3.6 billion of tax equity capacity in 2011 and 2012, respectively assuming current market conditions persist
  - However, if the economy and/or credit markets revert to 2009 conditions, the available amount of tax equity would be expected to shrink accordingly

# Innovative Capital Raising for Developers

- Section 1603 Cash Grant has fostered a highly successful public / private partnership by allowing renewable developers to leverage the Cash Grant program to access new debt capital markets, namely the \$250+ billion high yield market and \$150+ billion institutional loan market.
- Access to these markets dramatically expands the pool of capital available to renewable developers
- Prior to the Section 1603 Cash Grant, most renewable projects were financed with tax equity that swept the majority of the cash flows from the project. With the Section 1603 Cash Grant, renewable developers have been able to utilize project-level debt that permits greater near-term cash distributions from projects to their developers. These cash distributions have helped to facilitate access to the debt capital markets previously not available for renewable developers by allowing projects to service interest and principle at the developer parents, a financing across the developers entire project portfolio



## Case Study: First Wind's \$200 million Senior Secured Notes Offering

- On May 17, 2011, First Wind issued \$200 million of 10.250% Senior Secured Notes due June 2018
- First Wind Capital is an independent pure play wind energy company focused on high return contracted / hedged projects in the Northeast, West and Hawaii
- First Wind currently has 13 projects operating / under construction totaling 771 MW and a 4,000 MW development pipeline
- Net proceeds from the offering is being used to provide liquidity to fund five Near Term projects (368 MW) and for other corporate purposes
- The 1603 Cash Grant made this financing possible