U.S. PRESIDENTIAL CANDIDATE JOE BIDEN SETS OUT $2TN CLEAN ENERGY, INFRASTRUCTURE AND CLIMATE PLAN

Last week, Democratic Presidential Candidate Joe Biden released a major update to his original 2019 climate plan for an overhaul of the U.S.'s clean energy and infrastructure policies and practices. Below we have outlined a few key tenets of Biden's updated plan (the "***Climate Plan***") and the potential opportunities in the clean energy sector that it could present, if enacted.

Key points

Biden's Climate Plan proposes:

- increased spending and accelerated timelines for achieving targeted goals as compared to his original plan;
- $2 trillion in investments over four years;
- eliminating carbon pollution from power generation by 2035 and to zero out net greenhouse gas emissions across the entire economy by 2050 by investing in and incentivizing clean energy; and
- upgrading the U.S. infrastructure network, repositioning the auto industry to focus on clean vehicles, and investment in energy efficiency in the commercial building sector.

BIDEN'S EXPANDED CLIMATE PLAN

Biden's Climate Plan is more far reaching than his previous proposal, and, among other things, commits to an accelerated investment of $2 trillion in sustainable infrastructure and clean energy over four years.

Former Vice President Biden has positioned his Climate Plan as a central part of his proposed policies and efforts for reviving the American economy in the wake of the coronavirus public health crisis, while achieving a goal of net-zero emissions by 2050 and combating climate change.

A few of the most consequential highlights of Biden's Climate Plan relating to clean energy and related sectors are set forth below.

Achieve a Carbon Pollution-Free Power Sector by 2035

Perhaps most notably, Biden's Climate Plan envisions eliminating carbon emissions from energy generation by 2035. In order to achieve such transformation in the electricity sector, the Climate Plan calls for:

- substantial investment in energy efficiency, clean energy development (both onshore and offshore), energy infrastructure, and battery storage;
- providing enhanced transmission infrastructure to enable clean energy growth;
- amending and extending tax incentives for clean energy development and energy efficiency; and

- repowering and expanding upon existing electric grid transmission and distribution infrastructure.

More specifically, Biden's Climate Plan calls for increased development of distributed and utility scale renewable energy, including solar, onshore and offshore wind, and hydropower, as well as an amended regulatory framework for utilities to source clean energy instead of fossil fuels. The Climate Plan envisions that with increased development of renewable energy will come increased development of corresponding infrastructure and infrastructure upgrades, including the transmission grid, as well as energy storage technologies.

Investments in Energy Efficiency in Buildings and the Building Sector

Biden's Climate Plan intends to upgrade the commercial building sector by retrofitting buildings and upgrading schools and improving energy efficiency in homes across the country. Specifically, Biden's plan calls for

- energy updates for four million commercial offices, warehouses and public buildings;
- weatherizing two million homes over a four-year period; and
- introducing legislation to set net-zero emissions for all commercial buildings by 2030.

Other Pillars of the Biden Climate Plan

Biden's Climate Plan also addresses certain issues central to his climate goals, including:

- a significant upgrade to the U.S. infrastructure network, including smart roads, water systems, municipal transit networks, schools, airports, rail, ferries, ports, and universal broadband access;
- public investment in and direct consumer rebates for American-made, American-sourced clean vehicles, in an effort to position America to achieve a net-zero emissions future;
- a commitment to increase federal procurement in clean energy innovation by $400 billion in four years for the purchase of key clean energy inputs such as batteries and electric vehicles, which also contemplates the creation of a new government agency to target such issues;
- the establishment of a Civilian Climate Corps to conserve public lands and address climate change, as well as an investment in reducing leakage of toxic chemicals, methane, and other wastes from oil and gas wells and restoring and reclaiming abandoned coal, hardrock, and uranium mines; and
- creating an Environmental and Climate Justice Division within the Department of Justice in order to address intersectional environmental justice issues, as well as enhanced monitoring of climate emissions and other toxic harms that disproportionately affect vulnerable communities.

SELECT OPPORTUNITIES IN THE ENERGY MARKET

If implemented, the Biden Climate Plan will create new opportunities in the U.S. energy and related infrastructure marketplace, as well as enhanced opportunities in certain related sectors.

1. New Clean Energy Projects, Including Offshore Wind

Renewable energy is already the fastest-growing source of electricity in the United States, particularly wind and solar, as the deployment of renewable energy technologies has become economically competitive with fossil fuels. Biden's Climate Plan aims to dramatically increase spending on development and corresponding infrastructure designed to both reduce carbon emissions and withstand the impacts of climate change.

The U.S. offshore wind industry is one of the most logical sectors to see a dramatic uptick if Biden should be elected and the Climate Plan enacted. While offshore wind is currently in its infancy in the United States, as compared to the rest of the world, the industry already has bi-partisan support among coastal state legislatures. Federal support and incentives would only serve to further accelerate this burgeoning industry. In addition, increased growth in offshore wind in the U.S. should reasonably lead to a greater demand for domestic suppliers and service providers. As a result, investing in offshore wind, including floating offshore wind technology, as well as service providers and suppliers is a logical consideration for market participants.

Similarly, opportunities in residential, commercial and industrial energy touch upon two tenets of Biden's Climate Plan - further developing clean energy and enhancing energy efficiency in the building sector - and such sectors should be expected to grow with the enactment of the Climate Plan. For example, there is likely to be an increased demand in distributed, self-consumed renewable energy as more schools, offices and warehouses are fitted with onsite energy sources and other efficiencies.

2. Greening of Brownfield and Retired Fossil Fuel Plants

Encompassed within the infrastructure build out contemplated by Biden's Climate Plan is the redevelopment and repurposing of abandoned and underused Brownfield properties and fossil fuel plants. While such practices have already commenced around the globe, the U.S. has generally been less prolific in repurposing old plants and sites.

Since 2010, over 300 coal plants have been retired in the U.S., with very few of them being subsequently repurposed. There are over 200 coal plants still operational in the U.S., a number of which, along with abandoned mines and retiring gas-fired generation plants, would be expected to be retired following the implementation of the Climate Plan. In addition to providing general commercial opportunities, repurposed energy plants offer enhanced opportunities in the energy sector because such plants often already contain the infrastructure necessary to source and distribute energy and are frequently housed in advantageous locations near transport sites. With energy storage capabilities increasing in the U.S., we also expect there to be an

increase in retired plants being repurposed as energy storage centers and datacenters, in each case are sourced with renewable energy.

3. Tax Incentives and Competitive Financing Pricing

Under the status quo, two federal tax incentives, the federal Production Tax Credit ("***PTC***") and the Investment Tax Credit ("***ITC***") are slated to expire and continue to step-down through 2022, respectively. The PTC and ITC, along with state incentives, are widely credited with helping the U.S. renewable industry take-off in the last decade.

While Biden's Climate Plan does not put forth any specifics, it does commit to "reform and extend the tax incentives" that promote energy efficiency and clean energy jobs. We expect the Biden Climate Plan to lead to continued debate regarding new and expanded tax incentives in the industry, which will in turn lead to new or expanded financing opportunities with respect to clean energy and infrastructure projects.

4. M&A and Distressed M&A; Energy Storage

As the demand for renewable energy platforms and project assets remains strong, we expect Biden's Climate Plan to extend the continued rise of renewable energy M&A in the U.S. At the same time, we would expect an increase in distressed M&A in the fossil fuel sector and with respect to service providers thereto. Recent drops in oil and gas prices and the corresponding increase in restructurings and distressed M&A have provided a window into potential opportunities for financial and strategic players.

Further, as renewables continue to claim a greater share of the U.S. market, we expect an increased demand in investments towards energy storage assets to ensure energy reliability. The use of battery storage for clean energy is already drastically increasing and the M&A energy storage market will likely continue to grow under the commitments set out in the Climate Plan. To date, deployments have been primarily for stand-alone energy storage solutions and also more recently, for hybrid solutions such as hybrid solar + storage projects. One of the key challenges in the growth of battery storage has been finding a way to make storage economically viable. Biden's emphasis on battery storage in the Climate Plan, both in the energy sector and in the auto industry, may foster solutions for economic strength and opportunity in this area.

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