A WORD ABOUT WIND

HANNON ARMSTRONG

Q&A Interview:

Susan Nickey, Hannon Armstrong

Susan Nickey, executive vice president and chief client officer at clean energy investment firm Hannon Armstrong, says investors are targeting hybrid renewables due to the added value of energy storage.

Which renewable energy markets are the most attractive?

Our partners focus on North American investments. You have the demand side from corporations, communities, and states wanting 100% renewable energy, and you have the Biden administration looking to increase transmission, reduce barriers to permitting development, and enact new incentives.

Investors' focus is on all areas of clean energy – solar, wind, energy storage – because all are needed to meet decarbonization targets. We are increasingly seeing hybrid projects, solar plus storage and wind plus storage. We are also growing a standalone storage portfolio on both the grid-connected and behind-the-meter side. There are also many private transmission projects being developed that provide opportunities for capital investment. There are also substantial US offshore projects making headway.

Which projects are investors targeting?

Hybrid renewables plus storage projects are a big focus because storage adds value, given solar and wind are intermittent resources. As storage costs drop and storage revenue streams emerge, this is accelerating integration.

Onshore wind has historically been a bigger market than solar, but solar is now surpassing wind in terms of annual gigawatts installed. Some investors prefer solar because it is seen as less volatile, but many experienced investors continue to invest heavily in US wind.

Standalone grid scale storage is a smaller market, but it's not resource driven like wind or solar, so in this investing case it's more a function of what the revenue stream is and there are some platforms that have invested in purely merchant storage, though it's more of a risky, equity-type investment.

How could renewable energy become more investor-friendly?

Investors need long-term predictable, stable revenue streams. Asset life is now not 20 years, but 30, 35 years, so there is an increasing component not contracted. Having policies that help investors assess demand and long-term price signals – which ultimately involves a price on carbon – is needed to attract more capital.

Investors are moving beyond a project finance approach and taking a diversified portfolio vehicle approach by investing through public green bonds or through equity – this gives liquidity to get in and out. Recently, Hannon Armstrong issued a billion-dollar green bond that got a lot of interest from ESG funds looking for a pure renewable energy product. ■