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Renewable Energy Ready to Deliver Despite Continued Uncertainty

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Notwithstanding the ongoing impacts of COVID-19, in 2021 the deployment of solar, solar + storage, stand-alone storage, wind, and other renewable energy technologies continued to rapidly expand across the U.S. (and the rest of world). After the shock of the pandemic in 2020, parties to various development, construction, and offtake contracts managed to negotiate the merits of COVID-19 force majeure claims, and projects generally continued to move forward as the demand for renewable energy—whether driven by mandates like renewable portfolio standards (RPSs), corporate policies, consumer demand, or otherwise—kept pace, in spite of global disruptions. If nothing else, unprecedented weather events, and a heightened focus on the current threats and impacts of climate change, kept the focus on workable solutions around supply chain disruptions and other COVID-19 headaches.

At the start of 2022, as the Omicron variant continues to spread around the world, news of factory shutdowns in China and worker shortages globally are again making headlines. Many people in the renewable energy industry have a sense of déjà vu—perhaps with an added layer of fatigue and exasperation! With uncertainty around U.S. policies related to anti-dumping/countervailing duties and forced labor concerns in solar, rising prices of construction and other materials, and scarce availability coupled with unprecedented demand for storage products, it is clear that 2022 will be yet another crazy year for the industry.

Developers and owners of renewable energy projects, as well as some buyers of renewable power, are asking questions about the timing of projects. Developers who signed power purchase agreements (PPAs) in the recent past are being forced to question whether the milestone schedules and overall timing commitments remain feasible.

Contractors are struggling to commit to construction timelines and completion dates. And supply chain woes and policy uncertainty have wreaked havoc on the financial models that formed the basis for long-term PPA prices. On the offtake side, many buyers under PPAs have been reluctant to accept timing or price adjustments. But the reality of meeting RPS or other mandates when no developer has been spared from at least

some COVID-19 effects and policy uncertainty has forced many to accept that projects are going to be late, and prices may have to go up. In other words, everyone is in the same uncertain boat.

One of the great things about observing the renewable energy industry is watching how innovation drives technology shifts and offers new solutions. Among the innovative technologies set to expand in 2022 are green hydrogen, carbon capture and sequestration technologies, and artificial intelligence-driven platforms designed to help better align the complex web of energy generation, the electricity grid, and customer load, which all improve efficiency and resiliency.

Storage projects, which are being successfully integrated with solar and other renewable generation projects as well as developed as stand-alone systems, will continue to be deployed across the country. More energy storage provides everything from much-needed support to electrical grids to creating microgrid systems to help customers (individuals and businesses) meet their energy needs when impacted by forced outages designed to avoid wildfires in places like Northern California.

Long-term duration storage (described as the “holy grail” or lynchpin of the transition to a renewable energy future) remains elusive though several companies have pilot projects domestically and abroad. Government-backed research and development funding could help wary offtakers accept the potential risks of deployment of early-stage technologies—the potential rewards are tremendous.

Another focus will be on expanded electric vehicle fleets. While announcements from companies like General Motors and Ford about producing fully electric fleets will push the individual consumer market for those vehicles, the transition of medium and heavy-duty fleet vehicles will be essential. Government policies that can bolster this development—even focusing on the domestic procurement of the rare earth minerals that are required for batteries—will be necessary to realize the full potential of electric vehicles in the near future.

Efforts to combat climate change are critical moving forward. The wildfire devastation of the past few years, particularly in the U.S. West and most recently days after Christmas 2021 in the northern suburbs of Denver, Colorado, highlight the need for more policy action on climate. The fact it was so dry in December that a fire could tear through an idyllic suburban area, and during winter, is astounding and appalling.

The uncertainty for the legal and regulatory environment around developing and constructing renewable energy projects will be difficult to manage this year and in coming years. Many of the technologies and solutions we have today remain nascent and under development. But support for renewable energy at all levels of government is the only path forward, and the industry's growth in recent years shows the sector is up for the challenge.

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