

North Sky Capital focuses its Sustainable Infrastructure investments in a way that aligns with federal, state and local policies. We closely monitor public policy to ensure our investments capture the benefits of incentives aimed at stimulating investment, promoting sustainability and addressing critical infrastructure needs. This update explores the policy incentives that support our current portfolio investments.

Key Policies Supporting our Strategy

Federal



Inflation Reduction Act (IRA)

Supports the shift towards cleaner and more sustainable energy sources. Provides incentives for renewable energy investments, promotes energy efficiency and implements policies to reduce fossil fuel reliance

Renewable Fuel Standards (RFS)

National policy with a Renewable Volume Obligation (RVO) to replace or reduce petroleum-based transportation fuel



Clean Investment Tax Credits (ITC)

Investment Tax Credits ("ITC") ranging from 15%-40% to help produce, manufacture or transition to clean energy in Canada

Canadian Clean Fuels Regulation (CFR)

Aims to reduce the carbon intensity (CI) of fossil fuels used in Canada by approximately 15% below 2016 levels by 2030

State



California Senate Bill 1440 (SB 1440)

Requires the Public Utilities Commission (PUC) to consider specific biomethane procurement goals for each gas corporation

California Low Carbon Fuel Standard (AB32 and Executive Order S-01-07)

Policy to reduce the carbon intensity of transportation fuels by 20% by 2030. LCFS credits were introduced as part of this program

California Organic Waste Diversion (SB 1383 Lara, Chapter 395)

Statewide effort targeting reduction in organic waste disposal of 75% by 2025



Rhode Island Organic Diversion (Refuse Disposal Law Chapter 23-18.9)

Food Waste Ban with goals of prolonging the lifespan of the state's landfill and harnessing waste for biogas generation



New York Energy Storage Roadmap 2.0

Doubled state's storage target from 3 GW to 6 GW by 2030. Will create new retail storage incentive program



Maine Community Solar (LD 1986 / SP 815)






Revises Maine's net energy billing program, which enables community solar development. Directs the PUC to develop a program that includes energy storage by July 2024



Maryland Community Solar (MD House Bill 908)

Amends the current community solar pilot program and makes it a permanent offering. Allows for 3GW of net metering capacity in MD. Contains low-to-moderate income provisions to benefit currently underserved subscribers

North Sky Projects

Renewable Natural Gas “RNG”			Battery Storage	Solar Energy
SoCal Biomethane	Rhode Island Bioenergy Facility	Charlotte Bioenergy Facility	VDER Storage Development	Paddle Energy
				
Investment in an RNG project converting wastewater sludge and food waste to 320,000 MMBtu/yr of pipeline grade gas	Acquisition of underperforming 3.2 MW waste-to-power facility, RNG conversion project capable of producing 303,000 MMBtu/yr in process	Acquisition of underperforming 5.2 MW waste-to-power facility, with immediate opportunity to repower to full potential, and near-term opportunity to upgrade to RNG project capable of producing over 500,000 MMBtu/yr	Development of 10 Value of Distributed Energy Resources (“VDER”) battery energy storage system (“BESS”) projects in downstate New York	Development company founded by NSC in 2022 focused on community solar (“CS”) plus affiliated energy storage installations
United States – California	United States – Rhode Island	United States – North Carolina	United States – New York	United States – Maine, Maryland
Project Supporting Policies				
IRA – ITC IRA – PTC RFS* CA LCFS SB 1440	IRA – ITC IRA – PTC RFS CFR* RI Organic Waste Diversion	IRA – ITC IRA – PTC RFS CFR*	IRA – ITC NY Energy Storage Roadmap 2.0*	IRA – ITC RFS ME LD 1986* MD House Bill 908 *
*Recent Significant Announcements to Supporting Policies				
RFS – Finalized by EPA in June 2023	CFR – Passed in June 2022 and in effect as of July 2023	CFR – Passed in June 2022 and in effect as of July 2023	NY Energy Storage Roadmap 2.0 – announced in December 2022	ME LD 1986 – Passed in July 2023 MD House Bill 908 – Passed in April 2023



Policy Updates

■ **Maine Clean Energy Legislation**

In July 2023, Maine passed **LD 1986 / SP 815**, which amended the State's existing net energy billing program that originally passed in 2019. Creates certainty for community solar projects less than 2MW and directs the State to incorporate energy storage into the program. Paddle Energy and Novel Energy continue to monitor potential changes to the ME solar policy and advance development accordingly. Paddle Energy has looked towards other favorable markets like Maryland to further development.

■ **Canadian Clean Fuels Regulation (CFR)**

The new regulation that came into effect in July 2023 requires a reduction in the carbon intensity of fuels by less than **4%** this year, compared to 2016 levels. Regulators will continue to gradually reduce emissions intensity by setting a ceiling and lowering it each year until a 15% cut in emissions intensity is hit by 2030. The CFR has increased demand for RNG in Canada and created an uptick in interest from Canadian Utilities. Rhode Island Bioenergy Facility offtake partner Irving Oil is an obligated party under the Canadian CFR.

■ **Renewable Fuel Standards (RFS)**

In June 2023, the EPA released finalized volume targets for 2023, 2024 and 2025 for the RFS program and provided guidance for the apportionment of Renewable Identification Numbers (RINs) when feedstocks that qualify for multiple RIN categories are converted to biogas simultaneously in anaerobic digesters. This allows for more streamlined co-digestion of multiple feedstocks such as wastewater sludge and food waste.

■ **Maryland Clean Energy Legislation**

Passed in April 2023, **HB 908** amends the State's current Community Solar Energy Generating System ("CSEGS") program and makes it a permanent offering. Allows for up to 3GW of net metering capacity. CSEGS projects are required to consist of at least 40% low-to-moderate income subscribers. Paddle Energy had initiated development efforts in MD in anticipation of this favorable legislation.

■ **IRA**

- IRS announced guidance regarding **tax credit sales** in June 2023. The tax credit sale market is expected to ramp quickly as a result. Transactions have begun and sales have predominantly ranged from 90¢ - 93¢ per dollar of tax credit, despite price increases. The ultimate credit is expected to settle around 95¢ or 96¢.
- IRS guidance has created opportunities for VDER storage projects to qualify for **Energy Communities and Domestic Content bonuses**.
- IRA added section 45Z, which allows for a **production tax credit (PTC)** for fuel suitable as a transportation fuel produced at a 'qualified facility.' For projects that meet prevailing wage and apprenticeship requirements or are in service in the safe harbor, the PTC will be \$1.00/gallon x the 'emissions factor.' It is expected that each of North Sky's three bioenergy facilities will be eligible.

■ **New York Energy Storage Roadmap 2.0**

In December 2022, New York announced doubling the state's energy storage target to 6 GW, creating a supportive environment for continued storage development in downstate New York. The anticipated refunding of the Retail Storage Incentive will provide advantages to early movers.

■ **California Low Carbon Fuel Standard (LCFS)**

CA LCFS is an example of a successful market created on the premise of driving down the carbon intensity of transportation fuels. Following CA's success, OR and WA have adopted their own programs in 2016 and 2023 respectively, while other states are considering similar programs. Canada's CFR also emulated the LCFS model. IIF projects will be able to take advantage if LCFS prices show a strong rebound.

ITC of the IRA

■ Prevailing Wage and Apprenticeship ITC

Developers will be eligible for an **enhanced ITC of 30%** relative to the current 6% if they can provide documented evidence of paid wages and completed apprentice hours. To qualify, developers must maintain comprehensive records that include wage determinations, details of the mechanics and laborers involved in the work, the specific classifications of the tasks performed, the number of hours worked in each classification, and the corresponding wage rates paid for the work.

■ Energy Communities ITC

Energy storage projects placed in service after December 31, 2022, and situated within an “energy community” will be eligible for an **additional 10% ITC**. An energy community is defined as a brownfield site, a census tract or adjoining tract where a coal mine has closed or a coal-fired electric power plant has been retired. It can also include an area that has had substantial employment or local tax revenue associated with the extraction, processing, transport or storage of coal, oil or natural gas.

■ Domestic Content ITC

Projects that utilize 100% domestically produced steel, iron and manufactured products will be eligible for an **additional 10% ITC**. The domestic content requirements align with the “Buy America” guidelines and also consider the manufacturing process of resulting products.

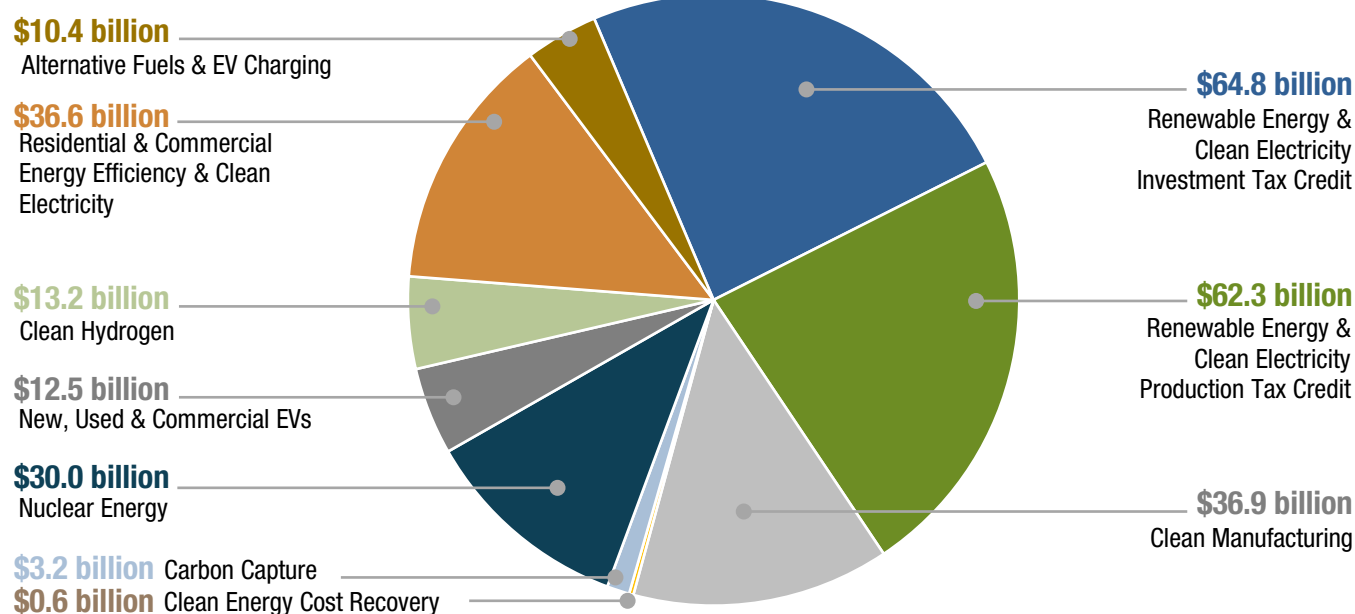
■ Low-Income Communities Bonus Credit

Solar and wind energy projects located in low-income communities will receive an increased **ITC of up to 20%**. This initiative aims to allocate 1.8 gigawatts of capacity across four categories specifically for solar and wind projects with a maximum output of less than 5MW.

■ Direct Transfer of ITC

The IRS has introduced a new provision that allows companies to sell their tax credits to other companies in exchange for cash. This change simplifies the process of **monetizing tax credits** without the need for complex formal structures. Buyers of these tax credits have the flexibility to carry them back for up to three years, enabling them to **offset taxes paid in the past and potentially reduce their overall tax liability**.

Green Tax Credits in the IRA*



*Source: Congressional Budget Office

Contact Us

Erika Guca
egucfa@northskycapital.com
401 837-6221

Adam Bernstein
abernstein@northskycapital.com
617 217-2573

Gretchen Postula
gpostula@northskycapital.com
612 435-7177