

Our Sustainable Infrastructure strategy aligns investments with federal, state and local policies designed to stimulate private investment, promote environmental sustainability and address critical infrastructure needs in order to capitalize on the economic benefits of these incentive programs. We continually monitor the policy landscape to stay abreast of relevant program developments and are pleased to provide you with this Policy Update to discuss key activities that support our current portfolio and pipeline investments.

Key Updates to Policies Supporting Current Portfolio



Inflation Reduction Act (IRA)

In late 2023, the IRS released additional guidance that affect the energy credits, notably clarifications around qualified biogas property.

Renewable Fuel Standards (RFS)

In 2024, Renewable Volume Obligation (RVO) to replace or reduce petroleum-based transportation fuel will see a 5% YOY increase in targeted renewables volume.



New York Energy Storage Roadmap 2.0

An anticipated Energy Storage Order is expected to refresh funding for the Retail storage incentive and Bulk storage incentive programs in Q1 2024.



Clean Fuel Regulations (CFR)

Supporting the CFR, the Canadian government has introduced a framework to start capping oil and gas emissions by 2026, cutting them to 20% by 2030.



China EV Subsidies

Chinese subsidies for electric vehicles (EVs) are not expected to return, lowering lithium demand at the same time global supply is expected to rise.



Maryland Clean Energy Legislation

North Sky continues to monitor Maryland legislation, specifically community solar, following 2023's HB 908 that supports community solar in the state.

North Sky Projects

Rhode Island Bioenergy Facility

- North Sky's Fund III investment to retrofit an underperforming **waste-to-power project** in Rhode Island to produce renewable natural gas (RNG) became the second RNG project to monetize the biogas investment tax credits (ITC) via a direct transfer deal. The project was placed into service in December 2023, and in the same month executed a tax credit sale with a subsidiary of a large insurance company. The project generated almost \$17 million in gross tax credits. Looking forward, the project is also expected to produce \$2.3 million of Section 45Z "Clean Fuel" production tax credits (PTC) in 2025, 2026 and 2027.

Orenda JV

- Battery-grade lithium carbonate prices fell from 300,000 RMB/ton in June to under 100,000 RMB/ton by the end of the year. The drop is expected to continue as Chinese subsidies for EVs phase out, decreasing demand from the world's largest lithium importer. Lithium carbonate is the primary cost driver of battery storage capital expenses. Meanwhile, global supply is expected to increase as new mines come online in Australia and Latin America. These trends benefit Fund III's New York storage portfolio, as battery prices are expected to be over 25% lower for the next vintage of projects.

SIF IV Related Policy Updates

Storage

- **New York Energy Storage Roadmap 2.0** – the anticipated refunding of the Retail and Bulk Storage Incentives will support New York’s aggressive goals of 3 GW by 2030, with an interim goal of 1.5 GW by 2025.
- **Existing Procurement Targets** – With existing and planned capacity for renewables increasing at a rapid rate, 10 states have adopted procurement targets: California, Oregon, Nevada, Illinois, Virginia, New Jersey, New York, Connecticut, Massachusetts and Maine. Five additional states have adopted other forms of energy storage support, including regulatory adaptation, demonstration programs, financial incentives and/or consumer protections.

Green Hydrogen

- **Section 45V** – The incentive tax credit is tied to the GHG emissions rate, offering up to \$3/kg for qualified clean hydrogen produced with an emissions rate less than 0.45 kg of CO₂ per kg of hydrogen. IRS guidance in December defined the following three pillars to prevent the use of fossil-powered grid electricity to produce green hydrogen.
 1. **Additionality** – the renewable power generation used to make hydrogen must be installed within 3 years of the hydrogen project
 2. **Deliverability** – the renewable power is generated in the same region
 3. **Time-Matching** – the hours the renewable power is generated must match the hours hydrogen is being produced

While this may create challenges for the nascent green hydrogen industry, many participants expressed the need for more flexibility and time to transition to the pillars.

However, 45V credits will increasingly be a driver for RNG development as RNG can be used as an input to existing hydrogen production pathways. SoCal Biomethane, has sold RNG as part of a hydrogen pathway, and expects to find additional opportunities with 45V.

EV Charging + California Low Carbon Fuel Standard (LCFS)

The Bipartisan Infrastructure Law’s \$2.5 billion Charging and Fueling Infrastructure Discretionary Grant program continues to support the buildout of a national EV charger network. The current Administration, including the Federal Highway Administration, announced \$623 million and \$312 million, respectively, in grants to support 58 projects. This combined with Section 30D clean vehicle tax credits, has spurred growth in charger and EV adoption. The Bipartisan Infrastructure Law will continue to create opportunities with municipal RFPs for charger deployments. Programs like LCFS and voluntary carbon credits will create additional revenue opportunities for chargers.

Canadian Clean Energy Tax Credits

Canada has proposed five new ITCs ranging from 15-60% for clean energy investment. This program is designed to help Canada compete with the IRA.

- **Clean Technology:** Tax credit for up to 30% of cost of assets placed in service from March 2023 to yearend 2033.
- **Carbon Capture, Utilization and Storage:** Up to 60% of Qualified Carbon Capture Expenditures incurred January 2022 through December 2030, with the highest percentage allocated to capture carbon from ambient air.
- **Clean Hydrogen:** A refundable tax credit of up to 40% of investments in projects that produce hydrogen and become available for use on or after March 28, 2023, and before 2034.
- **Clean Electricity:** 15% on investments in projects that generate clean electricity, store electricity without the use of fossil fuels or transmit electricity between provinces and territories. This tax credit would be available as of the day that the 2024 federal budget is delivered for projects that did not begin construction before March 28, 2023.
- **Clean Technology Manufacturing:** 30% for eligible property to be used in clean technology manufacturing and critical mining.

Contact Us

Erika Guca
eguca@northskycapital.com
401 837-6221

Adam Bernstein
abernstein@northskycapital.com
617 217-2573

Gretchen Postula
gpostula@northskycapital.com
612 435-7177