SKYLINE RENEWABLES
TO ACQUIRE AND DEVELOP

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SKYLINE RENEWABLES DEMONSTRATES THAT RENEWABLE ENERGY FIRMS DO NOT NEED TO START FROM SCRATCH.

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Skyline Renewables was created back in 2018 as a partnership by the management team at Transatlantic Power Holdings and an infrastructure equity investor, Ardian. The company's original goal was to create a platform for developing renewables in both the solar and wind segments. With a strategy to become a leader in the US market, the company maintained an interest in opportunities with all clean energy technologies that would provide the ability to grow in emerging markets. It was not the first company to enter the renewables market with a goal like this, but its approach was unique.

In the renewable energy sector, the standard phase approach started with the development stage, construction, and commercial operation of the renewable energy facility. This path has an inherent risk because as you start investing in development, there is a potential that those projects may or may not be built. Revenues are only realized when the development assets move to the operating phase and generate renewable power. Martin Mugica, Skyline Renewables' CEO says. "In 2017 and 2018, we decided to buy projects that were already generating cash flow and use those proceeds to build our construction and development capabilities at a later stage. We have already put together a 1000 MW portfolio of operational assets. With the current market conditions and high development fees we are experiencing from acquisition targets, we decided it is time to build our own development facilities. We are putting together our own pipeline and development function."

The Skyline management team was a group of former employees of Iberdrola. Within a very short time, they had proved themselves to be a contender.

"We are proud of what we have accomplished at Iberdrola, we were the second-largest wind operator in the US, and it was an interesting time. There was an immense amount we learned about market participants, regional and state markets, federal policy, and how to extract value in changing market dynamics. This understanding raised the idea back in 2015 that it was time to pursue something on our own," Mugica says. "We resigned and started looking for partners to invest capital, eventually finding Ardian a firm who was looking to invest in the US We were looking for capital, they were looking for a management team, so it was the perfect partnership."

In 2018 Skyline acquired its first project and continued to acquire three more assets. Closing the deal on another four assets in 2019, in a little more than one year we put together a wind portfolio of more than 800MW in 5 different states in the US.

"We worked on integrating and organizing the wind portfolio and began to diversify by acquiring solar," Mugica recalls. "Finally in 2020, we achieved our first construction project, which was also our first solar project. We did not acquire an operational solar farm, instead, we acquired it before starting construction. It was the largest solar project in the US to reach commercial operations in Q4 2021. »

A TIME OF UNCERTAINTY

Today Skyline Renewables is looking at more projects and entering the next phase of its plan, which is to grow its development capabilities. Of course, it is attempting to do that at a time when the market is encountering new uncertainties.

"There is so much uncertainty in the environment, including renewables. While there is increased interest to combat climate change, there are practical matters, regulatory hurdles and global issues related to the supply chain," Mugica explains. "Some projects that have been announced have been postponed because they cannot get solar panels as expected due to the tariff situation on panels. Record

Martin Mugica, CEO, Skyline Renewables.

wind penetration on the grid is already affecting prices. It is the lowest cost of generating electricity, making it very competitive but pushing overall electricity prices down and reducing margins."

While the challenges are undeniable, the role renewables must play is more important than ever.

"When we look at electricity prices in Europe, I am amazed many people forget that the best way to reduce energy prices is to have more renewables., Technologies with no fuel costs result in the lowest marginal cost. However, this requires proper ways to integrate non-dispatchable resources into the grid" Mugica says.

Given the importance of renewables as a solution, Skyline Renewables has taken a robust approach to the challenges the sector faces.

"Regarding the supply chain, you need agreements in place to procure equipment while diversifying supply sources to reduce your risk in a changing environment," Mugica tells us. "We are seeing less and less globalisation, which I think is bad. Global trade will take a while to get back to where it was. We have Ukraine war and sanctions as a result, the China-US damaged relationship, and countries in a desperate search to secure resources looking to be more independent because of a lack of trust in the global trade system. For us, it means relying more on US manufacturers and US companies as well the UK, and Europe, which will also have an impact on costs."

Meanwhile, Skyline continues to educate and advocate for renewables and the support they need.

"You need robust transmission to support renewable energy. Europe is in a better situation due to more transmission available than the US. Many renewable facilities are located in remote areas, their grid is more integrated and designed to move electricity to areas that have load demand," Mugica says. "There are also downsides as most transmission grids are generally operating at the country level. As a result, they are losing a big part of their advantage. Bigger markets that are well interconnected are the best way to reduce costs. The EU doesn't have global transmission yet, but opening and unifying their transmission would enable the energy to move from one country to another, tremendously reducing the cost of electricity across borders. In the US we have fewer systems, making it difficult to move power from one transmission grid to another,

and building new transmission is a significant challenge. Until we get a transmission grid that allows us to cover electrical demand with the right resource there will always be inefficiencies preventing the ability to move electricity at the lowest cost, which ultimately affects our competitiveness."

BUILDING CAPABILITIES

Moving forward, Skyline Renewables is working to balance its capabilities to optimise the growth of the Company via acquisitions and development of its own assets.

"There are times in the market when the developers are asking for large transaction fees and it is more effective and efficient to develop your own assets. That is what we are implementing now," Mugica points out. "So those two pieces of the business, acquisition, and development, complement each other. We

want a company that is always capable of growing by buying assets or developing our own. We need a quality pipeline to bring us projects we can develop and construct. We are working on new technologies and new products including green hydrogen and battery storage, which, complement renewables and reduce the carbon footprint."

Above all, Mugica emphasises the importance of cooperation, in the face of both climate change, and the difficult international situation.

"The challenges of the industry can be fixed simply by working together to find a solution. The situation we are facing right now is that countries are too dependent on gas from potentially hostile powers. Let us learn from history, promote the right technologies to preserve our way of life and take care of the environment and the Earth," he insists. ♺

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