

## **YELDCOS SEEN SURGING TO \$100 BILLION TO LOWER CLEAN-POWER COSTS**

(Bloomberg) — Yieldcos, a clean-energy financing model that didn't exist three years ago, are on track to become a \$100 billion market.

That's almost quadruple the \$27 billion in market value now, according to Jeff McDermott, a managing partner at Greentech Capital Advisors LLC, a New York-based investment bank that invests in yieldcos.

Wind and solar developers continue to form the publicly traded ventures to reduce funding costs as investors snap up the shares, which provide one of the few opportunities to buy into the steady revenue delivered by renewable power plants, he said.

"It really does lower the costs of renewables," McDermott said during a panel discussion Wednesday at Bloomberg New Energy Finance's annual conference in New York. "It's got a lot of room to run."

There are at least a dozen yieldcos now and more are in the works. First Solar Inc. and SunPower Corp., the biggest U.S. solar manufacturers, said in February they plan to jointly form one.

Under the yieldco format, an energy developer creates a separate company that buys and operates completed power plants. Long-term deals to sell electricity make the ventures low-risk borrowers, while project sales give developers capital to build more wind and solar farms.

### **INTEREST RATES**

Yieldcos also deliver dividends to shareholders that are often higher than corporate bonds. That's what makes them popular with investors. That advantage may wane, though, if interest rates increase, said Josh Steiner, head of industry verticals at Bloomberg LP, who moderated the panel. Bloomberg LP is the parent of Bloomberg News.

Mike Garland, chief executive officer of Pattern Energy Group Inc., said that risk is offset by having fixed, long-term debt. The San Francisco-based yieldco owns almost 2 gigawatts of wind capacity in the U.S., Canada and Chile, according to its website.

"If interest rates rise, it doesn't affect our economics," he said during the panel.

The cost of capital is one of the most significant parts of making wind or solar power competitive, Garland said. "If you can get that down it really helps."

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