

Our commitment to accelerate the transition to clean energy

 MARTIN MUGICA, Chief Executive Officer of Skyline Renewables

I am Martin Mugica, President and CEO of Skyline Renewables.

Skyline Renewables is an IVP that was created back in 2018 between Ardian and Transatlantic Power Holdings to develop a business plan to grow the company to 3,000 MW in around five years.

Chapter 1 - US RENEWABLE ENERGY TRANSITION

I think we are at a very good moment here in the States, there has been a lot of change in the last years. I can remember that when I was here back in 2016, only 1% of the energy was coming from renewables, and as of today it's more than 11%. In terms of capacity it's almost 15% now so it's a very significant growth.

Americans, as you know, have a huge appetite for energy. So the demand is increasing now, after the crisis it has been slowly coming down but it's coming back up. They are very proud and very keen on keeping their way of life and renewables are a great way to do just that. And people are starting to acknowledge that.

Unfortunately the main challenge is politics, and in this case we have a huge lobby for oil and gas that is extremely powerful in the US, over the years it has been one of the competitive advantages of this country, and it's very difficult to do the transition. They have perceived renewables as a potential threat for the industry. And this is something that is changing, and it's changing quickly. And now we can see how many oil and gas companies have actually embraced renewables and they are even participating in initiatives like a carbon tax for the future. So they are acknowledging that renewables are the future and that something needs to be done. But there are still a lot of people represented by important politicians saying that renewables are not the solution, that global warming is a hoax. There is significant public denial about climate change.

This country needs a lot of improvements in its infrastructure. We have huge resources for renewables in terms of solar and wind, but we need to be able to move the electricity generated in some places to the consumption places. To the places where there is huge demand. That requires a lot of transmission, which is a great opportunity and the new administration is actually realising that they can take a big advantage and improve everything by implementing a plan, by promoting infrastructure to develop new renewable energy solutions and actually fix the problem without polluting the environment.

Chapter 2 - NEW ADMINISTRATION GOING GREEN

We are excited with the new administration because they are saying all the right things. They are talking about decarbonizing the electricity markets first, which is huge. So the situation right now is that we have this Biden plan, which wants to promote more renewables and the efficiency of renewables in the energy consumption and also to build the necessary infrastructure to increase the integration of renewable energies into the industry.

So they are putting all those pieces together and have put together a very ambitious plan. But of course, because of politics it's going to be challenging to get all of it, but even part of it will be significant for the industry.

Something that is also included in that plan is what they call the clean energy standard which is simply to force utilities to deliver green electricity to their customers. That will be huge, because it will significantly increase the volume of renewable electricity and will make us even more competitive. Renewables are the cheapest way of generating electricity right now, but with that, the difference will then be even bigger.

And the other thing that is very important about this new plan is the way the renewable industry is subsidized in the US, and today it comes through tax credits. It's a very complicated way that requires banks to be involved and companies have to pay a lot of taxes in order to monetize the subsidies.

So the plan wants to change it for a grant or my best hope would be for something like a carbon tax. Which basically will penalize the ones that are polluting, instead of benefiting the ones that are not polluting. I have always been an advocate of the carbon tax. I think it's the right thing to do, because we will completely eliminate this perception, the stigma that people have about renewables being expensive. They are not expensive, and when you put everything together, like the cost to the environment, that's going to help people realize how cheap generating renewable energy is.

I think it's a breakthrough that oil & gas companies are advocating for a carbon tax, and we need to give more attention to that. But we also need to bring a solution. We cannot just pretend that thousands of people who are now working for the oil industry will suddenly be out of a job. No, you need to give them an alternative. And this is what this administration has to work on, to convince people that we have the solution. Right now they are just postponing the inevitable. It's going to happen. So you better prepare yourself, there is momentum now for you to get support, and for you to make the transition to a new situation. Just do it! Don't fight it anymore. You've been fighting this for 40, 50 years, and look where you are. You see it? The demand in electricity is growing but combined cycles plant have stayed more or less the same since 2006. Coal has been going down, nuclear is more or less the same. Hydrogen is the same. What has grown? Renewables!

As I was saying before renewables are great because they are clean and they are cheap.

But they also have their issues. And the biggest issue is flexibility and intermittency. Basically you don't generate when you just can't. Only when the wind is blowing and the sun is shining.

Chapter 3 - **STORAGE IS KEY**

You need to have some support systems working just in case renewables are not generating. So what you need is storage. You need storage capacity, you need to be able to generate your electricity whenever you can, and then store it in batteries or hydrogen or any other storing technology.

Then we will have a product that will completely replace fossil fuels. We won't even need natural gas.

Storage is a game changer. Storage basically makes renewables dispatchable. We can have a world without nuclear, without gas, without oil. We can fully work on renewables if we change the electricity market completely.

Right now one of the key items of the electricity market is that what you generate you have to use, so you have to adjust your production to demand. That will disappear when you have significant storage.

What we are doing right now is we are looking for projects to acquire to build on-site storage. So we have one in which we are in the very early stages, we are starting to discuss with the seller about buying a solar facility with some storage capacity.

Chapter 4 - WHY INVEST IN RENEWABLES

We partnered with Ardian back in 2018. We immediately realised that this was a great partner. They were looking for a management team, they were looking for people with experience in the industry that have a track record and that have been working on this field, and we were looking for someone with deep pockets who was willing to invest in renewables in the US.

It's attractive to investors because it's a sector that is going to grow a lot, and there is a lot to be done. So right now we have electric cars that are going to increase demand for electricity and that electricity needs to be generated by clean means. So what does that mean? It means that the growth of renewables is going to be unprecedented in the next few years. So basically for an investor, they are investing themselves and they are positioning themselves in an industry with a huge growth potential for the future. That seems to be a very good proposal.

I see a lot of advantages in promoting hydrogen because it can help many things at the same time. You can store it in a cell, you can actually replace fossil fuels and you can do it in a clean way. So I think that's very powerful. Definitely, we are looking into that. We continue to look into battery storage too, we think that's something that has improved a lot, and we need to continue making improvements in terms of cost and efficiency.

Lastly is the use of AI to analyze the facilities, the demand and the supply and to optimize plants. You need to diversify your sources of generation. You need to use storage in an efficient way, and by doing all of that – and digital technologies are part of that equation too – we'll be able to eliminate fossil fuels completely.

One thing I definitely want to do is to improve our research and development capabilities, I want to have a unit or a department within the company that is capable of investigating new technologies and testing them, to be state-of-the-art, I think that's very important. And this will be applied to the hydrogen that we already discussed to better ways of storing electricity and other ways of generating electricity, making it dispatchable, improving products, etc. It's a very ambitious project. We cannot do it right now because we don't have enough people. But as soon as we are bigger, you know that is something that I definitely want to do.

As we grow older, it happens to all of us, definitely to me. You start thinking that you know a lot, and that's never true. There is always something new, there is always someone that does things better than you do. And you need to be very open-minded. And especially when working with younger people. Working together with people who have just graduated or who have little experience but lots of ideas, but also with experienced people with open minds, is extremely powerful.