

Ares Infrastructure and Power: Election Update

February 2021



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We believe that the Biden administration will accelerate the clean energy transition that is already taking place in the United States.

- President Biden supports climate infrastructure as a pathway to achieving two key objectives of his administration—economic recovery and action on climate change.
- The U.S. Congress is controlled by the Democrats with a narrow majority in the House of Representatives and a tie-breaker in the Senate through Vice President Harris. This control, coupled with potential bi-partisan support for certain climate initiatives, may usher in a period of rapid growth from federal initiatives.
- Control of State governments that have been leaders on clean energy policy (such as California and New York) remain in the hands of executives and legislatures that support aggressive action on climate change.

The Biden administration has begun to increase support for climate infrastructure through 1) immediate executive action, and 2) legislative proposals that could gain bipartisan support.

- In order to accelerate economic recovery and immediately address climate issues, the Biden administration has a broad list of executive actions, several of which have already been implemented.
 - Rejoining the Paris Climate Agreement (signed following President Biden’s inauguration)
 - Utilizing the federal government’s procurement power to accelerate deployment of renewable energy, electric vehicles, and energy efficiency (Biden administration signed an [executive order](#) in January directing procurement policies consistent with a carbon free electricity sector by 2035 and 100% ZEV fleet for federal, state, local, tribal, and USPS fleets.)
 - Implementing existing Clean Air Act authorities that boost electric vehicles and fuel economy for cars and trucks (In January, the administration signed an [executive order](#) that ended the Trump administration’s efforts to overturn existing clean vehicle standards. In other words, the order reinstates the prior rules, which were enacted under the Obama administration.)
 - Requiring public companies to disclose climate risks in their operations and supply chain
- The Biden-Harris administration has publicly endorsed policy proposals that have previously gathered bipartisan support. Further, President Biden has indicated that a top priority of his administration is to pursue bipartisan efforts where possible. The proposals include:
 - Extending existing tax credits for wind and solar
 - Establishing a national clean energy standard
 - Expanding public finance solutions for climate infrastructure
 - Increasing funding for research, development, and deployment (R,D,&D)

The Biden administration’s early actions with respect to climate initiatives demonstrate its commitment towards decarbonization. Given the administration’s ambitious targets, we expect even more substantial future action that we believe may continue to expand climate infrastructure in the US.

As a reminder, we believe...

The U.S. is already on a clean energy path.

- From 2015-2019, climate infrastructure was the largest infrastructure sector in the U.S., and the U.S. was the most active in the OECD, even compared to all of continental Europe.¹
- Over the last four years, +41.5 GW of coal-fired generation has been retired and ~46 GW of renewables have come online.²

The energy transition has been driven by economics and customer preferences.³

- Clean energy including battery storage is already less expensive on an unsubsidized basis than its fossil fuel alternatives.
- Investor-owned utilities, corporations, and consumers are adopting clean targets driven by cost savings and sustainability initiatives.
- Oil majors, including British Petroleum, Chevron, and Eni, have begun announcing a transition to owning renewable power in recognition of the potential long-term decline in oil demand.

Existing U.S. policy continues to support clean energy with the majority of U.S. states adopting renewables or emissions reduction goals.

- 37 states plus Washington D.C. and Puerto Rico have clean energy goals, and 10 states, as well as Washington D.C. and Puerto Rico, have 100% renewables or net-zero emissions by or before 2050.⁴
- The FERC⁵ formally supports carbon pricing mechanisms that will continue to support deployment of renewables resources.

¹ Source: IJ Global

² Source: S&P Global Platts Analytics

³ Based on Ares market observations

⁴ Source: Natural Resources Defense Council, December 2020.

⁵ The Federal Energy Regulatory Commission (FERC) is an independent federal agency that regulates interstate power markets

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