

Focus Report: Renewable Energy

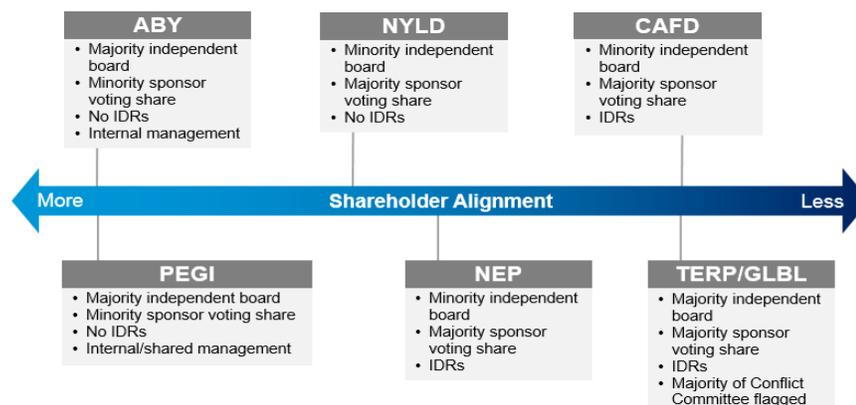
Are YieldCos looking after their investors?



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- **YieldCos allow investors to gain exposure to a growing renewable energy market.** Renewable energy is forecast to grow with strong support from global climate change responses and the US Investment Tax Credit. YieldCos have grown rapidly over the last two years; however, these investments have recently experienced price declines.
- **A key question for investors now is whether YieldCos' interests align with their own.** YieldCos are complex financial structures and lack transparency on a number of key value drivers. Investors need appropriate governance structures, particularly for managing potential conflicts with their sponsors, to ensure that decisions by the YieldCos align with their interests. We assess the governance structures of a comparable set of YieldCos in this report.
- **Pattern Energy and Atlantica Yield are more aligned with shareholders compared to Terraform Power/Terraform Global and 8Point3 Energy Partners.** All else equal, we consider more alignment as positive for shareholders. Our analysis indicates that several YieldCos are closely controlled by their sponsors, lack independence and may be misaligned with shareholders' interests.
- **Going forward, existing YieldCos can adjust their governance structures and investors in YieldCo IPOs should seek better alignment.** As a point of reference, Master Limited Partnerships (MLPs) are trialing new structures to improve alignment with their shareholders that act as a guide for YieldCo investors.

Alignment with shareholders



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Support from John Wilson, Head of Corporate Governance, Engagement and Research at Cornerstone Capital Group

Public companies mentioned, priced at close January 12, 2016

Company	Symbol	Price (\$)	Company	Symbol	Price (\$)
8Point3Energy Partners	CAFD	15.84	NextEra Energy Partners	NEP	28.66
Abengoa	ABGB	1.23	NRG Energy	NRG	9.90
Atlantica Yield Co	ABY	17.59	NRG Yield	NYLD	13.01
Acciona SA	ANA.SM	€ 75.18	Pattern Energy Group	PEGI	18.76
Apache Corp	APA	35.42	Sempra	SRE	88.94
Brookfield Asset Management	BAM	28.99	SolarCity	SCTY	48.72
Brookfield Renewable Energy Partners	BEP	23.84	Sun Power	SPWR	24.31
Canadian Solar	CSIQ	21.72	SunEdison	SUNE	3.02
First Solar	FSLR	65.22	TerraForm Global	GLBL	3.78
JinkoSolar	JKS	21.40	TerraForm Power	TERP	9.69
NextEra Energy	NEE	105.38			

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