

True Green Capital Sees Retail Energy Expansion via Community Solar

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Michael Schoeck [pehub.com]

True Green Capital could participate in a couple of community solar add-on acquisitions for project portfolios or development companies seeking to scale up on a national platform, Panos Ninios, managing partner and founder of True Green, told *PE Hub*.



Panos Ninios, True Green Capital Management LLC

Westport, Connecticut-based True Green, a \$1.2 billion private equity investor focused on the energy transition, sees about three-quarters of M&A opportunities from origination or private deal referrals. That leaves about one-quarter of deal referrals from investment bank-marketed processes such as CleanChoice Energy, a retail energy and community solar integrator, Ninios said. The firm's preference is towards private opportunities.

After acquiring CleanChoice Energy in April from its founding members, True Green could seek another such company in the community solar market, he said. CleanChoice could also participate in an acquisition for a customer portfolio that brings the operator of 215,000 customers in 16 states into a new state or regional market.

The portfolio company could look to acquire a project development portfolio of community solar and energy storage projects of 0.5 MW to 100 MW, while a 100 MW portfolio represents a "sweet spot" for add-on deals, Ninios said.

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True Green acquired CleanChoice with a \$100 million equity commitment into its multi-year development pipeline. It made the acquisition from its \$660 million fourth fund, with allocated capital designated to build solar plus storage projects.

“With community solar, you can truly make and have a local impact,” he said. “For CleanChoice, what we realized doing community solar is it is all about the retail customers. Ultimately we expect to have a true vertically integrated utility.”

Guggenheim Securities advised CleanChoice Energy in its early 2023 sale, while CIBC Capital Markets advised True Green Capital.

Community solar renaissance

Currently 29 US state markets have deregulated power markets that allow retail energy providers to sell clean energy in addition to the local utility company. Community solar, or the siting of small sub-5 MW solar projects in fields in or next to cities or towns, or on commercial rooftops, are allowed in about 23 states, with Maryland and New Mexico being two of the most recent to adopt community solar legislation.

Community solar subscribers remain with their utility company while seeing an average savings of 10-30% typically on their monthly electricity bill. The arrangement provides direct savings to consumers amid rising energy prices in recent years while adding a distributed power source to improve grid resiliency as the impact of climate change worsens in recent years.

According to Wood Mackenzie, the community solar market is expected to see 5 GW to 6 GW of total installations over the next five years. Assuming a capital cost of \$2,000 per kilowatt, that projection translates to a \$10 billion-\$12 billion investment opportunity for capital investors such as True Green, Alex Kania, head of research at investment bank Marathon Capital, told *PE Hub*.