Pritchard
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**New Wave in Green Energy Investing – CCUS**
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As traditional energy markets begin to rebound in 2021, we are seeing institutional lenders and equity investors creep back into the sector with extreme caution. With WTI oil and Henry Hub gas trading at $65+ and $2.50+, respectively, with favorable longer term strip prices, oil and gas is poised for a good year for E&P and OFS companies that survived 2020 with low(er) leverage and extreme cost cutting measures. However, the changes in Washington are driving both investor enthusiasm and real capital toward proven green energy initiatives hallmarked by (1) relative certainty of profits by virtue of high-quality feedstock and offtake arrangements, (2) the ability to de-risk construction, IP, and performance risk, and (3) the big carrot of state and Federal tax credit regimes representing the "icing on top of the icing".

For many years, development of large energy infrastructure projects from LNG terminals to Municipal Solid Waste-to-energy facilities have been a hard uphill slog for developmental capital. We are seeing a significant shift in investor attitude largely based on the 2020 oil and gas hangover and the realization that the United States is re-committing itself to climate change initiatives. The renewed US commitment to climate change initiatives is generating strong and growing interest in Carbon Capture, Utilization, and Sequestration (CCUS) opportunities. Significant producers of $CO_2$ include most all downstream users of hydrocarbons - power plants, chemicals companies, and refineries to name a few. Larger, single facility producers are actively pursuing CCUS solutions with CAPEX budgets typically exceeding $100 million. Additionally, regional and/or municipal authorities are evaluating Public-Private Partnerships opportunities to aggregate and sequester $CO_2$ from multiple producers within their districts.

Pritchard Griffin is actively working with an industrial producer of one million tons of $CO_2$ annually to evaluate available CCUS technologies and to optimize its capital assembly strategy. Our work with technology providers, potential capital partners, and tax credit specialists indicates that well-executed projects can achieve the targeted environmental objectives while achieving full return of CAPEX in three years or less.

CCUS projects are complex and multi-faceted. To that end, $CO_2$ producers, developers and capital providers are accelerating deployment of this next wave of green energy investing. There a quite a few good sources of basic information on topic. One such source is the International Energy Agency (Carbon capture, utilization and storage - Fuels & Technologies - IEA).

As a firm, we attended the recent webinar sponsored by the KBH Energy Center and hosted by Bracewell, LLP (Carbon Capture, Utilization, and Sequestration Webinar - YouTube). Although the webinar is lengthy (2.5 hours) the content is outstanding and should be required viewing for anyone considering how to enter the space.

We encourage our contacts to invest the requisite time and to reach out to us with questions regarding CCUS opportunities.