

Vinson&Elkins

Energy Series

What's Driving
Transition Energy
IPOs and SPAC
Combinations?

November 4, 2021



Today's Speakers



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Today's Discussion Topics

Capital Needed to Fund the Energy Transition

Legislative Developments

Recent Traditional IPO Activity

Recent SPAC IPO Activity

Recent De-SPAC Activity

Capital Needed to Fund the Energy Transition by 2050

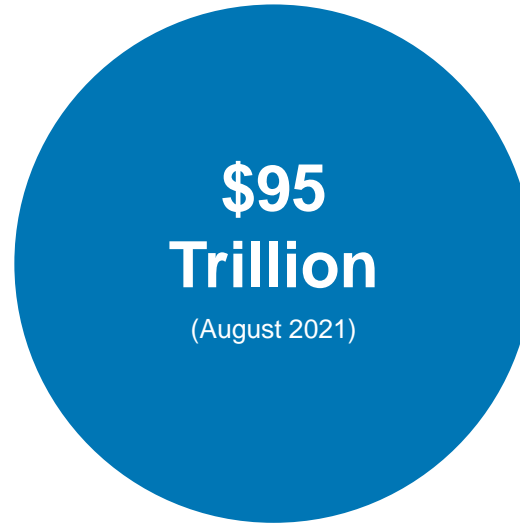
- UBS: \$120 - \$160 trillion
 - Generation: \$35 - \$70 trillion
 - Infrastructure Upgrades: \$20 - \$30 trillion
 - Carbon Capture: \$20 - \$40 trillion
 - R&D: \$20 trillion
 - Traditional Energy: \$10 - \$20 trillion
- International Renewable Agency: \$130 trillion
- Credit Suisse: \$100 trillion



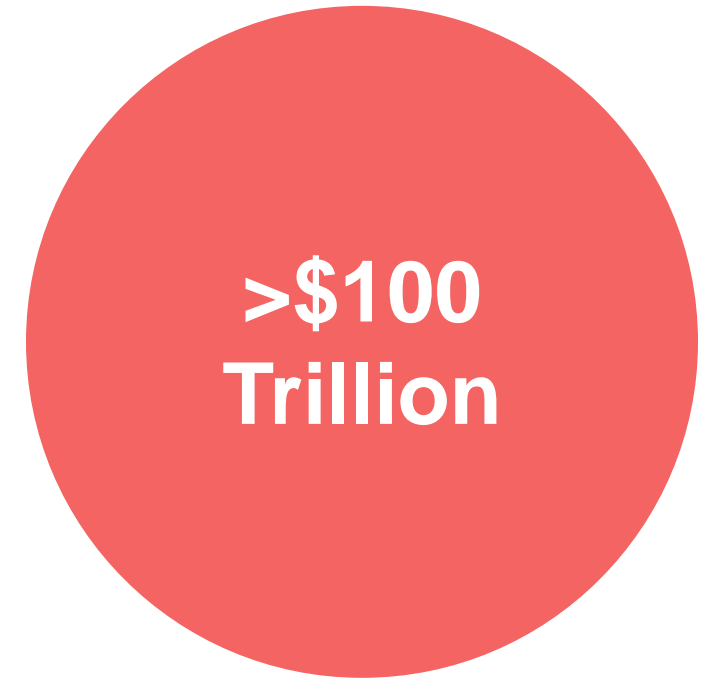
Relative Size of Capital Needs



Total Value of
US Publicly
Traded Equities



Total Value of
Global Publicly
Traded Equities



Total Transition
Energy Capital
Needs

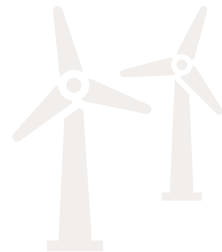
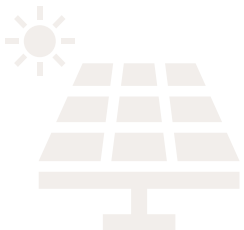
Sources of Available Capital

- Total Global Sustainable Investment Funds: \$2 trillion (Reuters Q1 2021)
- Funds Flows: \$185.3 Billion Q1 2021 (and increasing)
- Proposed US Green Spending: \$600 Billion (includes Bi-Partisan Infrastructure Bill + BBB (including Green Act), final form and numbers pending)
- These Sources Represent Fraction of Total Cost (<3%)
- Funding Over Time Dependent on Combination of Free Enterprise and Government Incentives



Overview of Biden Administration Legislative, Tax and Regulatory Initiatives

- Bi-Partisan Infrastructure Bill
- Subtitle G – “Green Act”
- Taken Together Include:
 - Extension PTC for Wind Energy Through 2027
 - Extension ITC for Solar Energy Through 2027
 - Expansion ITC for Energy Storage and Linear Generators
 - Credits for Carbon Sequestration – Section 45Q
 - Credits for Green Manufacturing
 - EV Credits (including Heavy EVs, Electric Buses, Charging)
 - Credits for Renewable Fuels
 - **Direct Pay**
- Expansion of Qualifying Income – f.k.a. “MLP Parity Act”
 - Solar, wind, hydro, marine, fuel cells, storage, biomass, renewables, carbon capture, advance nuclear)
 - MLP 2.0 – Traditional Governance, Simplified Capital Structure
- FERC Initiatives
 - Opening Market Access for Distributed Generation
 - Changes in Transmission Incentives
 - Transmission Siting Authority and Eminent Domain

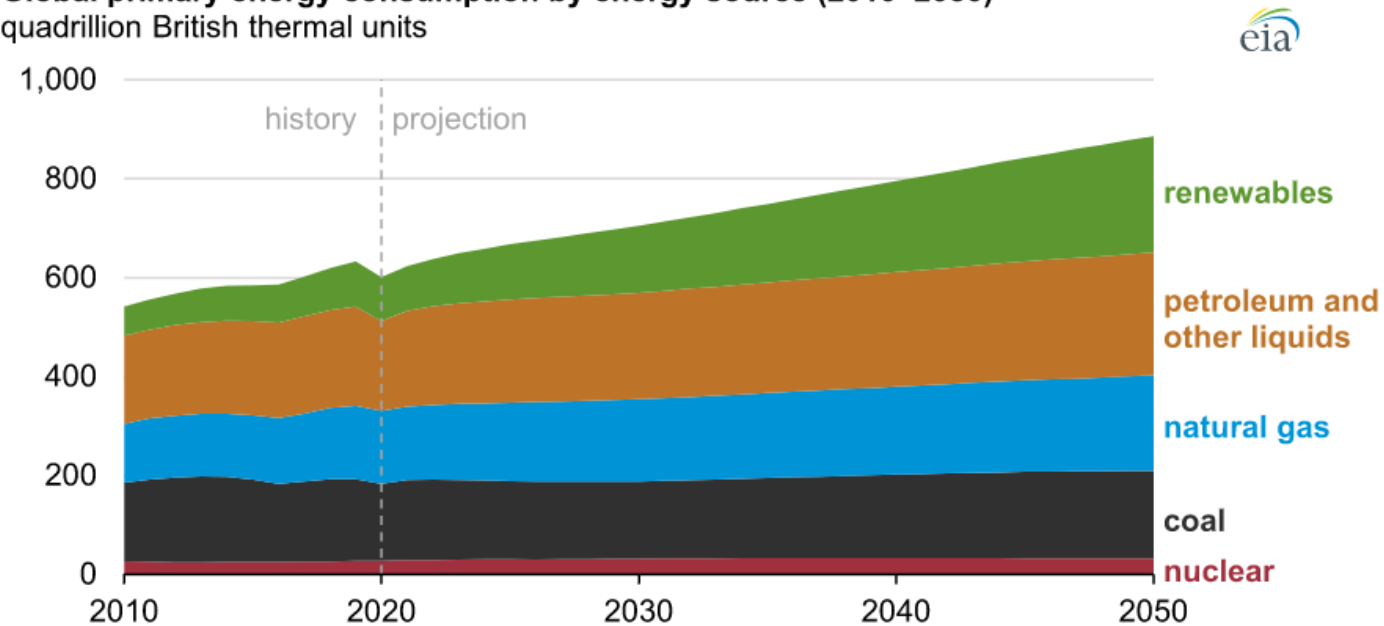


“Energy Transition” As a Term Masks Complex Multi-Source Future

OCTOBER 7, 2021

EIA projects nearly 50% increase in world energy use by 2050, led by growth in renewables

Global primary energy consumption by energy source (2010–2050)
quadrillion British thermal units



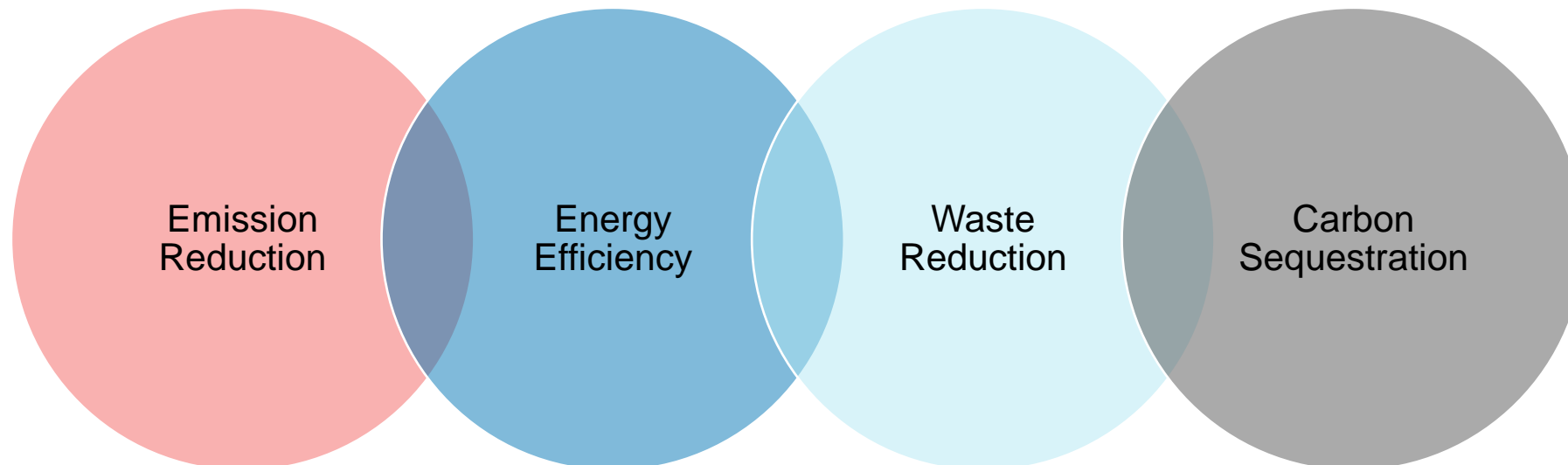
Source: U.S. Energy Information Administration, *International Energy Outlook 2021* Reference case

Note: Petroleum and other liquids includes biofuels.

Capital Needed to Fund the Energy Transition

Investment Opportunity

- Policy and Societal Goals are focused on key drivers of Decarbonization:



Investment Opportunity

- This creates opportunities across a multitude of investment areas:



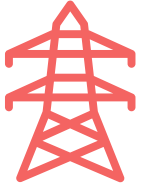
Electrification of Transport

EV OEMs

EV charging infrastructure

Electric vehicle batteries

Specialty transport (marine, aviation, etc.)



Grid Flexibility and Resilience

Distributed generation

Energy storage and grid flexibility

Stranded power monetization

Energy efficiency

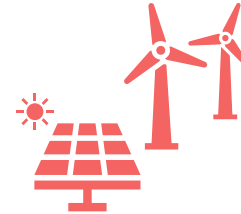


Carbon Mitigation

Carbon capture, utilization and storage

Electrification of upstream / downstream

Carbon monetization



Renewable Power

Wind

Solar

Geothermal

Equipment and software



Next Generation Liquid Fuels

Hydrogen for transport

Aviation/marine biofuels

Waste to fuel

Renewable fuels

Biotech

Low carbon fuels



Industrial Applications

Bio-chemicals








Industrial technologies

Plastics/recycling

Water solutions

Energy efficiency

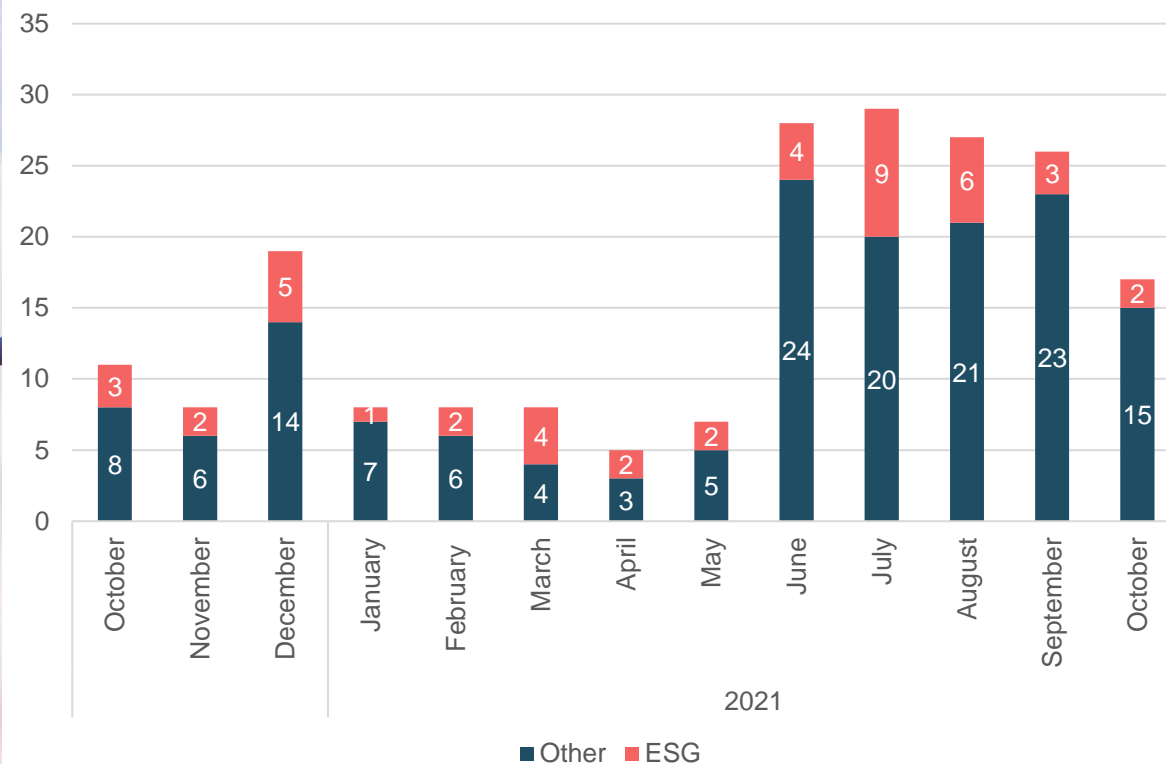
Recent Traditional IPOs of Transition Energy Companies

Issuer	IPO Date	IPO Price	Market Capitalization (As of IPO)	Share Price (As of Nov, 1 2021)	Market Capitalization (As of Nov, 1 2021)	Structure
 X P E N G	8/26/20	\$23.10	\$31 billion	\$47.87	\$41.06 billion	Cayman Islands Exempted Company
 ARRAY TECHNOLOGIES	10/19/20	\$22	\$3.56 billion	\$22.75	\$2.88 billion	C-Corp
 Montauk Renewables	1/26/21	\$8.50	\$1.195 billion	\$11.30	\$1.62 billion	C-Corp
 shoals technologies group	1/29/21	\$35.25	\$4.164 billion	\$32.66	\$5.44 billion	Up-C
 tu simple	4/19/21	\$40.00	\$9 billion	\$39.90	\$8.34 billion	C-Corp
 FTC SOLAR	4/30/21	\$13.00	\$800 million	\$10.08	\$849.76 million	C-Corp
 FLUENCE <small>A Siemens and AES Company</small>	10/27/21	\$28.00	\$4.7 billion	\$36.95	\$6 billion	C-Corp

Energy Transition De-SPACs

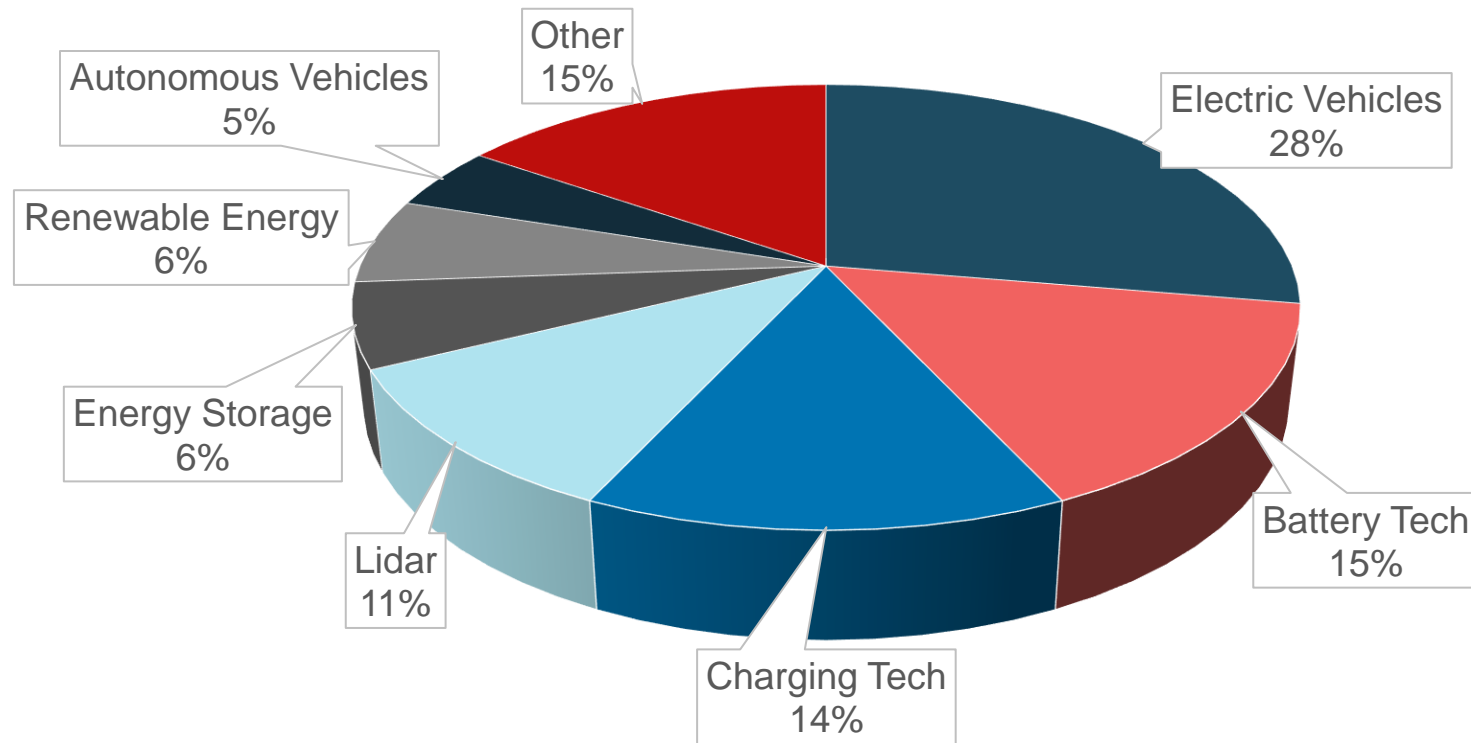
- Oct. 2020 – Oct. 2021:
 - 201 De-SPACs closed, with total equity value of ~\$422 Billion
 - 45 were in energy transition, with TEV of ~\$102 Billion
- As of 10/31:
 - 114 De-SPACs were pending, with TEV of ~\$296 Billion
 - 20 are energy transition targets, with TEV of ~\$62 Billion

Number of De-SPACs Closed



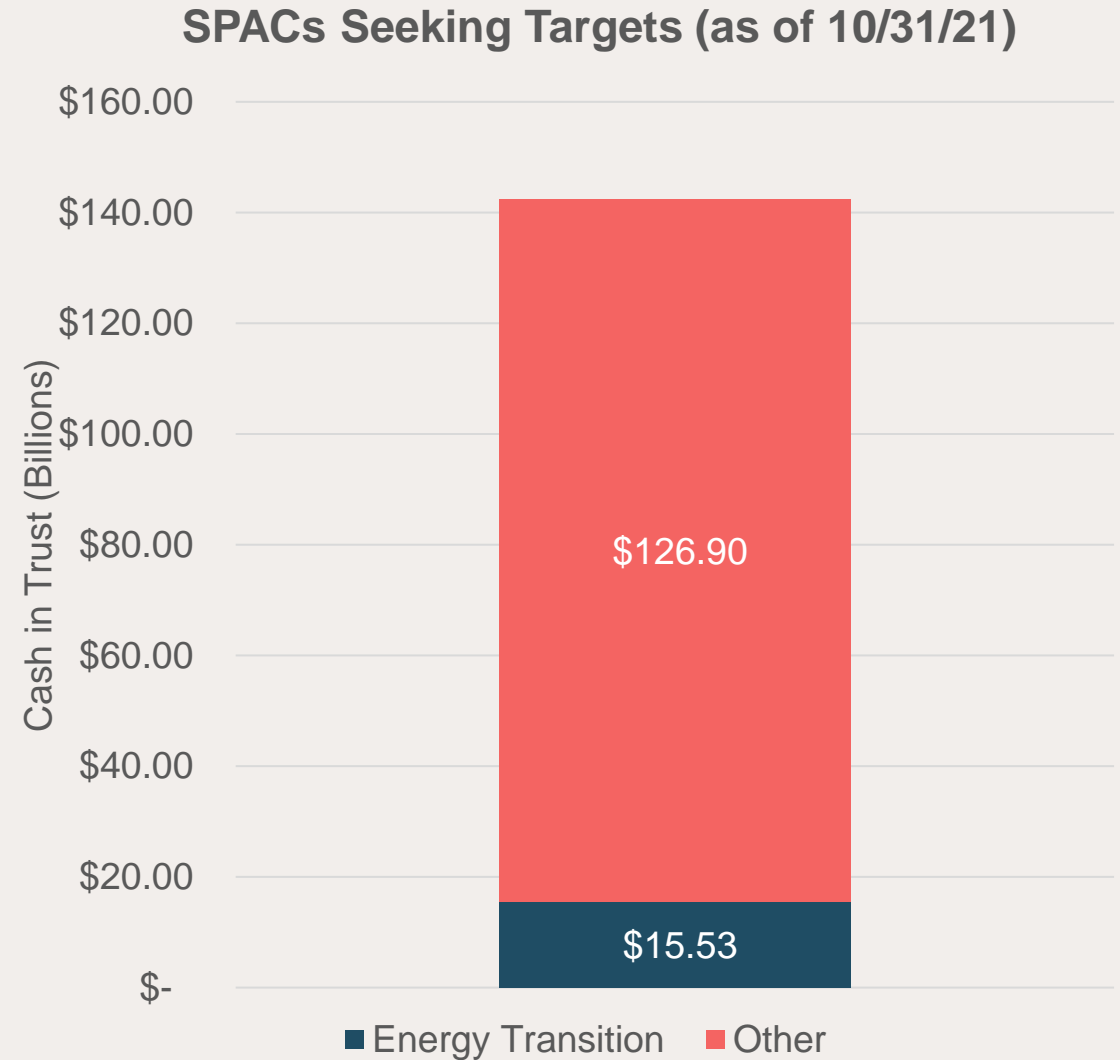
Energy Transition De-SPACs (cont)

Closed and Pending Energy Transition De-SPACs (by number of transactions)



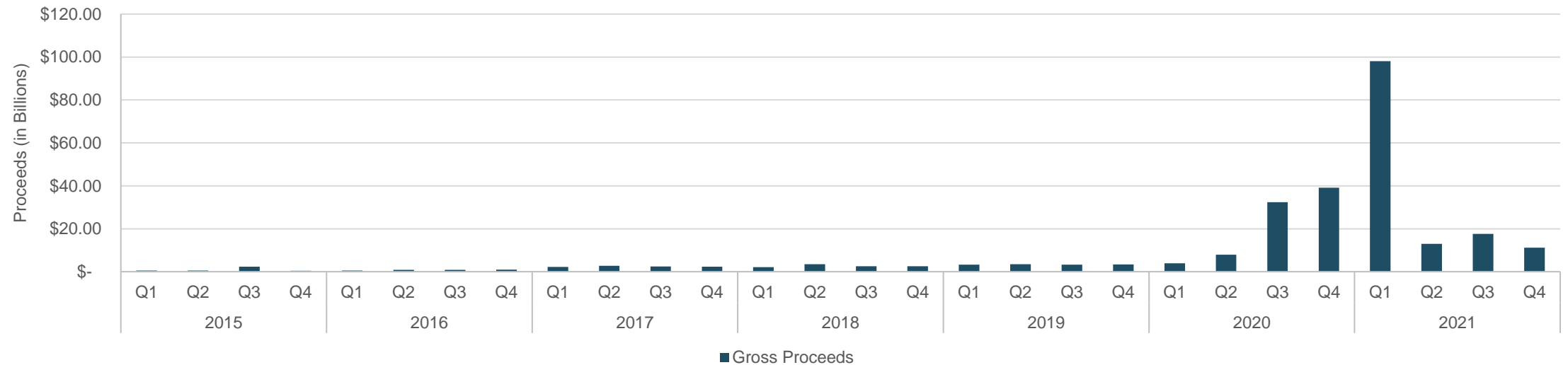
SPACs Seeking Targets

- As of 10/31/2021:
 - 507 SPACs seeking targets; ~\$142 billion in trust
 - 60 with a stated industry focus that includes energy transition
 - ~14.4 month average remaining shot clock (time to outside date for SPAC)
 - Another ~300 SPAC IPOs publicly filed, seeking ~\$130 billion of proceeds

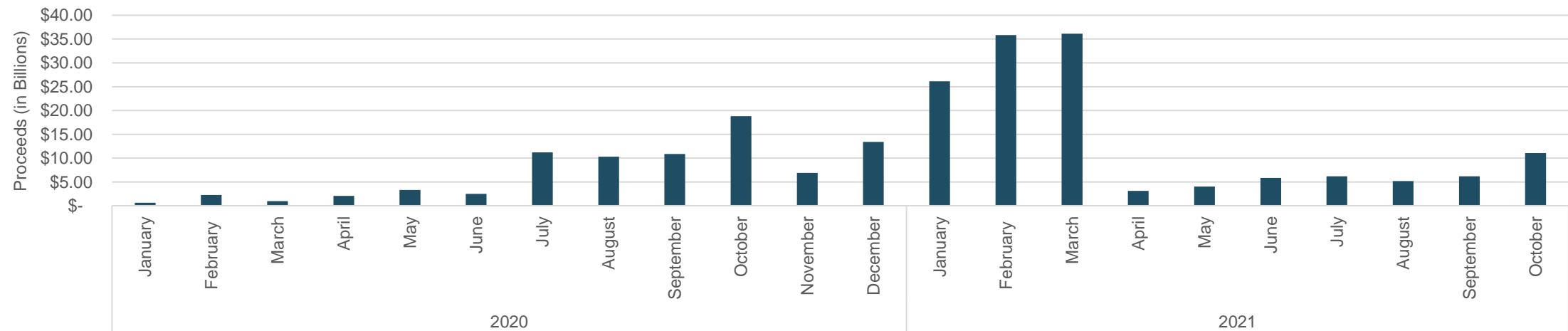


SPAC IPOs

Cash Raised in SPAC IPOs (by Quarter)

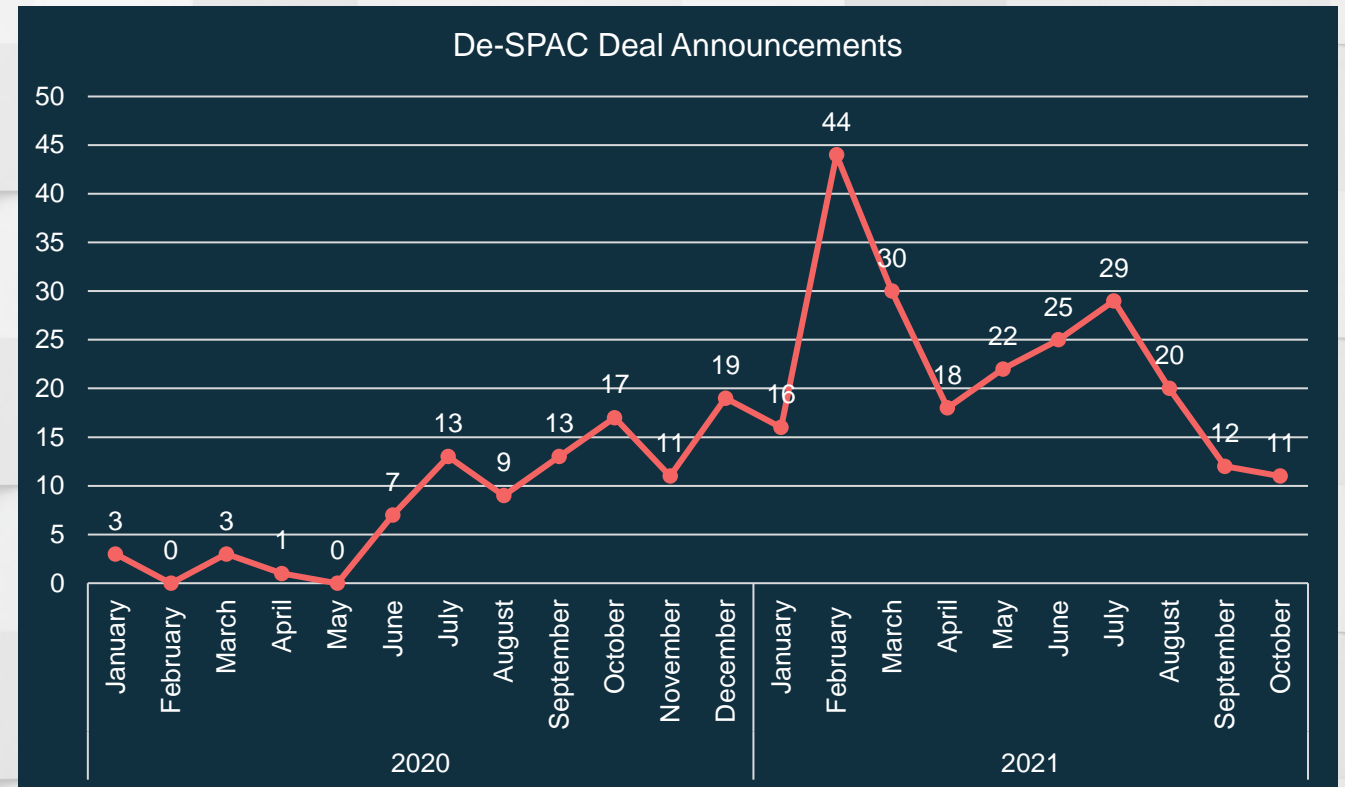


Cash Raised in SPAC IPOs (by Month)

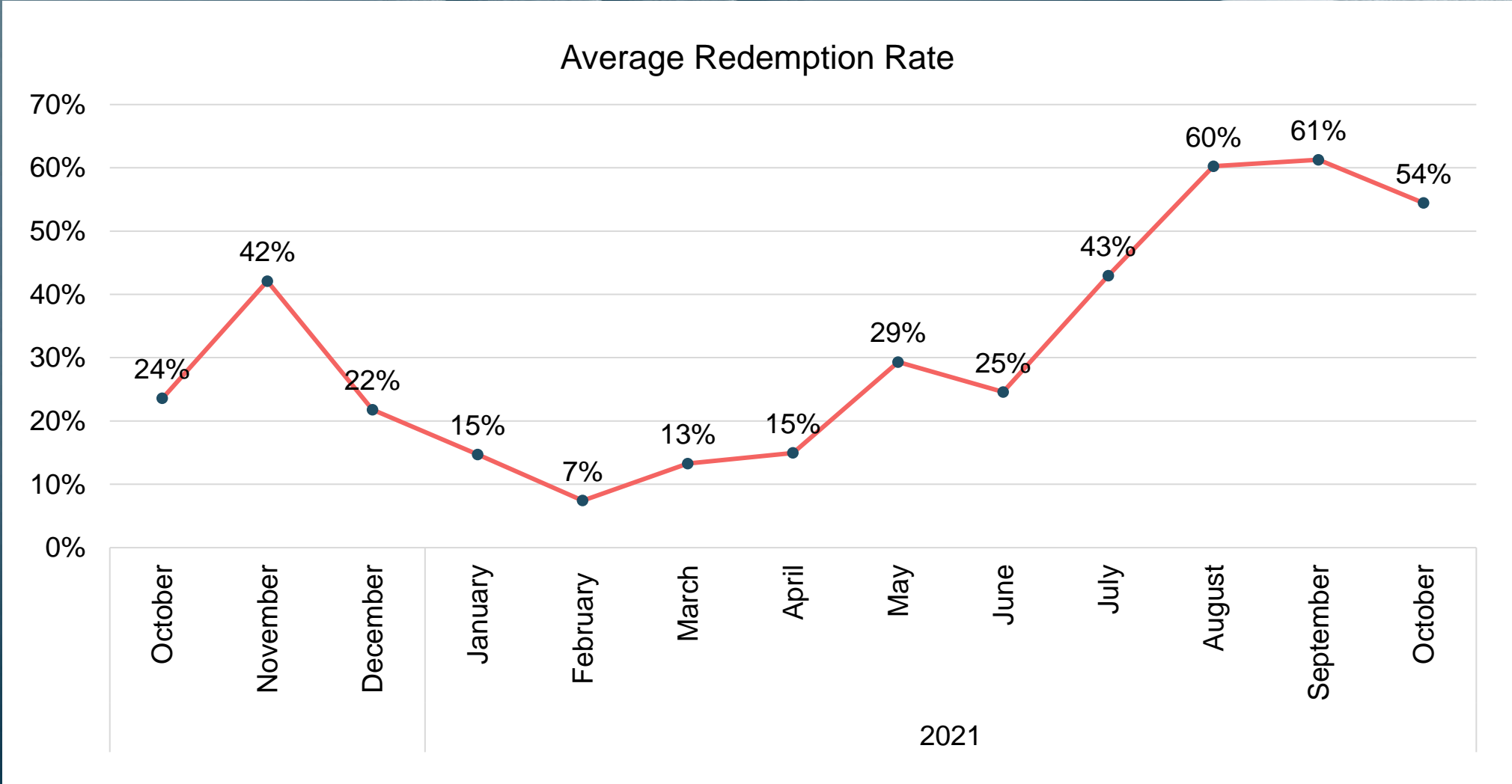


De-SPAC Trends

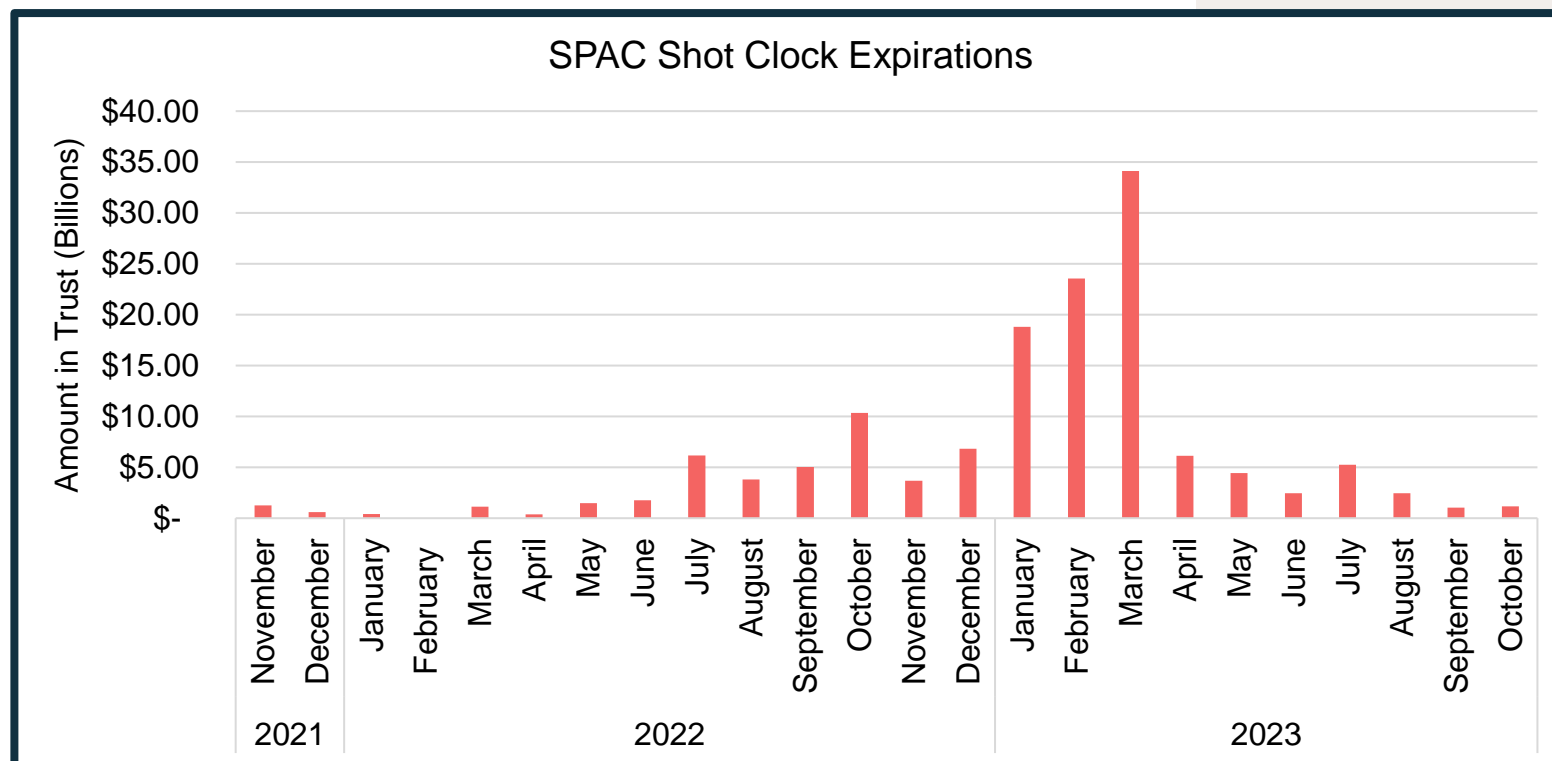
- De-SPAC signings have slowed
 - Average LTM was ~21.4/month
- PIPEs harder to raise



De-SPAC Trends (cont) – Redemption Rate Increasing



Substantial Capital Needs to Be Invested



- Of the ~\$142 billion in trust for SPACs currently seeking transactions:
 - ~\$76.5 Billion (54%) has a shot clock ending in Q1 2023
 - Average remaining time is ~14.4 months
- Many recent or pending IPOs have durations shorter than 24 months (e.g. 15 or 18)
- Transaction pace needs to accelerate: at LTM average deal closings per month, it would take 32 months (July 2024) to clear all 507 pre-deal SPACs

SEC Staff Statements and Action

Special Purpose Acquisition Companies

Division of Corporation Finance
Securities and Exchange Commission

CF Disclosure Guidance: Topic No. 11

Date: December 22, 2020

Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")

Draft as of August 26, 2021

To be discussed at the September 9, 2021 Meeting of the Investor Advisory Committee

**Recommendations of the Investor as Purchaser and Investor as Owner
Subcommittees of the SEC Investor Advisory Committee regarding
Special Purpose Acquisition Companies**

What You Need to Know About SPACs – Updated Investor Bulletin

May 25, 2021

The SEC's Office of Investor Education and Advocacy (OIEA) wants to educate investors about investing in SPACs.

SPACs, IPOs and Liability Risk under the Securities Laws



John Coates
Acting Director, Division of Corporation Finance

April 8, 2021

SEC Commissioner Statements

Prepared Remarks Before the Small Business Capital Formation Advisory Committee



Chair Gary Gensler

Sept. 27, 2021

Inside Chicken: Remarks before Fordham Journal of Corporate and Financial Law Conference: "Here to Stay: Wrestling with the Future of the Quickly Maturing SPAC Market"



Commissioner Hester M. Peirce

Washington D.C.

Oct. 22, 2021

De-SPAC Legislative Actions

SEPTEMBER 22, 2021

Warren, Brown, Smith, and Van Hollen Request Information from SPAC Creators Amid “Astonishing” Reports of Abuse and Market Dysfunction

“We are concerned about the misaligned incentives between SPACs’ creators and early investors on the one hand, and retail investors on the other.”

Text of Letters (PDF)

[DISCUSSION DRAFT]

117TH CONGRESS
1ST SESSION

H. R. _____

To amend the Securities Act of 1933 and the Securities Exchange Act of 1934 to exclude certain special purpose acquisition companies from safe harbor for forward-looking statements, and for other purposes.

De-SPAC Lawsuits

Press Release

Post-SPAC Music Streaming Company Reaches \$38.8 Million Settlement in Ongoing Fraud Action

FOR IMMEDIATE RELEASE
2021-216

Washington D.C., Oct. 27, 2021 — The Securities and Exchange Commission today announced a \$38.8 million settlement of charges against Akazoo S.A., a purported music streaming business based in Greece, for allegedly defrauding investors out of tens of millions of dollars in connection with a 2019 special purpose acquisition company (SPAC) business combination. Akazoo's assets were previously frozen as the result of an emergency action filed by the SEC in September 2020.

Investors Allege Ackman's SPAC Dodged Registration Rules

Press Release

SEC Charges SPAC, Sponsor, Merger Target, and CEOs for Misleading Disclosures Ahead of Proposed Business Combination

Charges Relate to Planned Merger of Stable Road Acquisition Company and Space Transportation Company Momentus Inc.

FOR IMMEDIATE RELEASE
2021-124

Washington D.C., July 13, 2021 — The Securities and Exchange Commission today announced charges against

its sponsor SRC-NI, its CEO Brian's founder and former CEO Mikhail national security risks associated with m the SEC filed a complaint in the U.S. the SEC, with terms including total and the SPAC sponsor's forfeiture of August 2021, is approved.

IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

GEORGE ASSAD, Derivatively on Behalf
of PERSHING SQUARE TONTINE
HOLDINGS, LTD.,

Plaintiff,

v.

PERSHING SQUARE TONTINE
HOLDINGS, LTD.,

Nominal Defendant,

v.

PERSHING SQUARE TH SPONSOR, LLC,
LISA GERSH, MICHAEL OVITZ,
JACQUELINE D. RESES, JOSEPH S.
STEINBERG, PERSHING SQUARE, L.P.,
PERSHING SQUARE INTERNATIONAL,
LTD., AND PERSHING SQUARE
HOLDINGS, LTD.,

Defendants.

CASE NO. _____
JURY TRIAL DEMANDED

THANK YOU



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