

January, 2022

RE: Independent Study Opportunity at the Yale Center for Business and the Environment

Filling the Funnel: Climate-focused Investment Strategies in SPAC Land

Overview

The Yale Center for Business and the Environment (“CBEY”) is looking for students to participate in an independent study (equivalent to a full-credit course) in partnership with Climate Real Impact Solutions II Acquisition Corporation (hereafter “CRIS”), a Special-purpose Acquisition Company (“SPAC”). [SPACs have found favor](https://cbey.yale.edu/our-stories/five-questions-about-spacs-and-clean-energy-with-professor-dan-gross) (URL: <https://cbey.yale.edu/our-stories/five-questions-about-spacs-and-clean-energy-with-professor-dan-gross>) amongst climate-focused companies as they (a) give companies the opportunity to provide public investors with forward projections on innovative business models that are profitable but have limited access to capital, and (b) allow said companies to obtain permanent financing via public equity capital markets.

CRIS was incorporated in late 2020 in order to identify and effect a business combination with a best-in-class, climate-focused company. Students in this independent study will conduct research on new, innovative sectors with the potential for transformative positive impact. These focus areas include the following:



[Figure 1: CRIS Areas of Focus]

Issue Summary

Decarbonization of the global economy, and adoption of more sustainable means of consumption, represent one of this generation's greatest economic, social, and moral imperatives of the 21st century. These prevailing tailwinds, coupled with the magnitude of the task in hand, conspire to present an investment opportunity worth trillions of dollars over the coming decades.

In particular, CRIS, targets investment in four key subsector verticals, and summarizes its focus with the mantra of: (1) *Winning the (Green) Home*, (2) *winning the (Green) Office*, (3) *winning the (Green) Roads*, and (4) *winning (green) industry*. These verticals represent a collective \$3.7 trillion total addressable market, and with the potential to offset 7.4 billion tonnes of CO₂ amongst other positive impacts per annum.

The CRIS team is led by seasoned industry veterans with deep industry experience at the intersection of climate change and capitalism at firms including NRG, Credit Suisse, Goldman Sachs, and General Electric. CRIS seeks to identify investment opportunities in companies led by world-class management teams, with not only have the potential to become market leaders, but who also share our deep conviction and commitment to transforming the home, office, and road.

The goal of this independent study is for students to work in consultation with members of the CRIS team and its partners and advisor to identify areas within these subsector verticals that present attractive investment opportunities for a SPAC such as CRIS. Students will be given the opportunity to develop and present an investment thesis to leadership at CRIS, whilst learning about the arcane world of clean energy SPAC investing from industry veterans.

Project I: Circular Economy (2-3 Students)

This research project will include a number of deliverables, such as (i) a 10-15-page research report that summarizes the potential investment opportunity in the "Circular Economy" sub-sector for CRIS, and (ii) a summary presentation (the "*IC Memo*") wherein the student serves as an exponent for investment in the sector of choice. The students also retain the choice of taking a contraction view in the summary presentation, namely a "*Short-seller Note*" wherein the student argues for not investing in said sector, or even for betting against the sector.

The research report will include an analysis of potential market opportunities to provide goods and services across the value chain for a circular economy subsegment, an analysis of the total addressable market or revenue opportunity for such subsectors, a competitive analysis between companies within the sector, and against the prevailing conventional 'dirty' goods and services, and valuation analyses (where applicable). **Appendix I: Outline** provides an illustrative table of contents for such a report.

Project II: Utility-scale Renewables as a Public Market Opportunity (2-3 Students)

For this project, students will conduct a deep-dive of the ever-maturing utility-scale solar, wind, and battery power markets. Whilst there are numerous developers, investors, and other companies operating in this space, only a scarce few such companies are traded on public exchanges outside of the European Union, with most corporate-level transactions occurring via private markets, including the recent acquisitions of Cypress Creek, Amp Solar, Origis Energy, and other by private equity firms.

The purpose of this research project will be to determine why renewable energy developer-owner-operators specifically have either not been able to, or chosen not to go public in the context of the United States and beyond given the potential to avail themselves of the lowest-cost, long-term capital possible for such long-lived assets. Key suggested areas of focus might include (i) a competitive landscape analysis and assessment of barriers to entry (or lack thereof), (ii) a review of the uncertainty around development cycles and mismatch with public-earnings guidance, (iii) evaluation of the geographic “balkanization” of such firms as informed by “local” expertise on a market-by-market basis both in terms of permitting, and power market expertise, and (iv) other pertinent potential drivers.

The deliverable will, once again, be a 10-15-page written report summarizing the aforementioned analyses. Moreover, the students will also be asked to put together a short PowerPoint presentation to explain why (and how) a renewable energy developer-owner-operator might choose to successfully go public. The students are also permitted to provide a contrarian view if they come to the determination that such developer-owner-operators are better off staying private.

Project III: Capital Market Innovation in the Climate Sector (1-2 Students)

Whilst capital markets for wind, solar, battery storage, and electric vehicle companies and assets have substantially matured over the last decade, there remain gaps in the figurative financial toolkit to provide viable financing solutions to other relevant climate sectors, including hydrogen, sustainable agriculture, green and grey water infrastructure, carbon capture and storage, and other markets.

The purpose of this exercise will be to identify the reasons why companies operating in such spaces find themselves lacking access to capital, with a focus on later-stage growth capital required to scale and commercialize business plans and technologies that deliver better environmental outcomes. Suggested areas of focus include an analysis of conventional late-stage financing solutions, including but not limited to pre-IPO growth equity, secured and unsecured convertible notes, structured financing solutions, hybrid instruments (e.g. debt + warrants, or mezzanine capital), private placements in public equities, and acquisition capital. Moreover, the students are strongly encouraged to juxtapose such “mature” capital solutions with those found in sustainable finance, including green bonds, property-assessed clean energy (“PACE”), government and multilateral development financing, social bonds, and so on.

The deliverable for this project will, once again, be a 10-15-page report exploring any shortcomings in conventional financing solutions, and how they may be repaired or paired with sustainable finance tools to better capitalize companies in nascent climate-related sectors.

The students will also put together a short presentation on which such financing instruments they would (or would not) think would have the most impact given said tools ability to help relevant businesses scale and commercial over the next 5-10-years.

Presentation Opportunities and Work Rhythm

The projects presentations will synthesize the work in the research reports into a concise, and cogent narrative articulating reasons for (and against) investment in the sector or financial tool, including identifying and valuing individual companies of interest, or security instruments to the extent possible. The students will work closely with the “Investment Committee”, comprised of Kristofer Holz and Amir Chireh Mehr, Vice Presidents at CRIS on a weekly or bi-weekly basis to gauge progress and provide two-way feedback over the course of the semester.

They will also have opportunities both at the outset of the presentation to define the scope of their projects with CRIS’ founding team, and – at the end of the semester –they will be given the opportunity to pitch the CRIS leadership members, which may include officers of the company, and members of its Board of Directors.

Stages of Work

- Participate in an ‘Introduction-to-SPACs’ session as viewed through the lens of CRIS IPO;
- Meeting with CRIS team to refine key areas of focus within projects
- Conduct a first-pass review , including of equity research, and other reports;
- Develop qualitative and quantitative arguments to support a thematic hypothesis for investment within a specific area, or financial tool;
- Participate in a Case Study of the EVGo acquisition by Climate Change Crisis Real Impact I (NYSE: CLII, now EVgo) to better understand the business combination process;
- Synthesize the research work into a 10-15-page paper;
- Draft first version of IC Memo, Short-seller Letter, and other presentations;
- Present to Kris, and Amir;
- Make any final revisions to the deliverables;
- Present to CRIS Leadership.

Staff and Advisors

- **CBey:** [Stuart DeCew; Todd Cort]
- **CRIS:** Kristofer Holz, Vice President | CRIS; Amir Chireh Mehr, Vice President | CRIS
- External partners and advisors of CRIS

To apply for this independent study, please send your resume and a statement of interest no longer than half a page to Heather Fitzgerald (heather.fitzgerald@yale.edu), with a CC to Amir Chireh Mehr (ac.mehr@climaterealimpactsolutions.com).

Appendix I: Outline for Circular Economy Deep-dive

ESG Opportunity

Climate Change Decarbonization Opportunity

Other Environmental Opportunity (e.g., water scarcity, ozone, plastics, pesticides etc.)

Social Opportunity (e.g., job creation, poverty alleviation, human labour etc.)

Supply-side: Value Chain Analysis

Upstream Opportunities

Midstream Opportunities

Downstream Opportunities

Goods vs. Service Provisions

Horizontal and / or Vertical Integration Opportunities

Disintermediation

Demand-side Analysis

Historic Sales (by Value Segment)

Forecast Growth

Total Addressable Market

Serviceable Addressable Market

Unit Economics

Key Economic Drivers

Ancillary Revenue Opportunities

Historic Cost Structure

Forecast Cost Evolution and Benchmarking

Key Constraints (e.g. Scarcity of Materials etc.)

Regulatory

Current Landscape

Key Regulatory Oversight Agencies / Organizations (e.g. EPA, ISOs, PUCs etc.)

Supply-side Support Mechanisms (e.g. RECs, Tax Credits, Feed-in Tariffs etc.)

Demand-side Support Mechanisms (e.g., RPS, Govt. Procurement Standards etc.)

Challenges (e.g., International Tariffs, Political Uncertainty etc.)

Opportunity Cost and Substitutes

Cleantech Substitutes (e.g., H₂ vs. EV transportation; DCFC vs. L2 charging)

Conventional Substitutes (e.g. Gas-fired Capacity vs. Lithium-ion Storage)

Key Players (by Relevant Value Segment)

Private Companies
 Public Company Subsidiaries
 Private Company Subsidiaries
 Defensible Barriers to Entry
 Key Metrics (e.g., Sales, EBITDA etc.)

Financial Metrics

Relevant Comparable Public Companies and Metrics (e.g., EV/ EBITDA)
 Precedent Transactions (e.g., De-SPAC transactions, IPO, Private Equity)

International Considerations (if Applicable)

Foreign Exchange Risks
 Tariffs
 Cross-border Regulatory Matters
 Compliance with Sanctions
 International Tax

Potential Targets

CRIS Initial Screen Analysis

- Core Screening Requirements
- Prioritization Criteria
- Financial Metrics (if available)
- Opportunity Assessment (overview, investment thesis, use of proceeds, impact etc.)