

How Enhanced Capital looks for 'unrecognised' value in community solar

The impact investment firm leverages 'complicated government subsidy programmes' in its pursuit of smaller deals, and says it is on track to create 'the largest clean energy portfolio serving low- and moderate-income communities in the country'.

Sam Birchall - 2 hours ago

US impact investment firm Enhanced Capital has invested \$37 million over two years into a solar company that – according to the firm – puts it on track to becoming “the largest clean energy portfolio serving low- and moderate-income communities in the country”.

Family-owned Solar Landscape installs solar panels on the roofs of low-income communities in New Jersey. Through these community solar projects, the company supports the transition to a clean energy economy while providing low-cost clean energy to residents.

Enhanced Capital, which makes credit and equity investments in the US lower mid-market, is organised into three business verticals: small business lending, impact real estate and climate finance.

The firm’s climate finance team, which supports the transition to a clean energy economy by investing in small businesses and sustainable infrastructure projects, was responsible for Enhanced Capital’s four investments in Solar Landscape. The deal was led by managing director and head of climate finance, Ed Rossier.

Through its multi-year partnership with Solar Landscape, which started in 2020, Enhanced Capital used both sponsor equity and tax equity to finance more than 110 solar projects in New Jersey, totalling in excess of 115MW, Rossier told *New Private Markets*.

In May, Enhanced Capital closed its latest investment in Solar Landscape, a \$10 million development loan to help the business further expand its portfolio of rooftop installation projects.

“The addition of these rooftop projects is expected to produce almost 10 million kilowatt-hours of zero-emissions electricity for low-income communities in New Jersey by next year – making Solar Landscape the largest clean energy portfolio in the country for low- to moderate-income residents,” Rossier said.

Solar Landscape sits in part of the market that is generally harder to finance. Its projects – made up of about 50 solar rooftop installations – are considered relatively small in the solar energy world, representing about 1MW each. For context, a large utility project is about 100MW.

It is here that Enhanced Capital can find value that is unrecognised by the market, Rossier explained. “Our investments typically leverage complicated government subsidy programmes, a big one being federal tax credits. If you think about where we are trying to seek out good risk-adjusted returns, then we are limited in what we can target. Where we can find value is in those small deals and small businesses.”

This is also the part of the market where Enhanced Capital can drive a greater level of social impact, Rossier added. “While from a total megawatt standpoint, Solar Landscape is not going to represent a significant proportion of the total energy generation, the amount of zero-emissions electricity it will generate on a local level is very significant. Most importantly, the majority of the energy will be provided at reduced energy rates for low- to moderate-income subscribers in the state.”

New measures in the US, like the Inflation Reduction Act (IRA) – which passed in August and promises to provide billions in tax credits for a range of clean technologies – will further incentivise investment in the energy transition, Rossier added.

“We now have a blueprint for matching subsidy with private capital for businesses across the US,” he said. “It’s a model that can be repeated in similar sectors like the circular economy, battery storage and carbon capture, providing a runway and a layer of financing that wasn’t available before.”