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UGE INVESTOR NEWS

Good morning,

Recently I was invited for separate fireside chats with the lead ESG analysts at Bank of America, Cowen, and Credit Suisse. With so much movement in the community solar space, we wanted to share relevant data points with you, as well.

Community Solar:

Community solar is the fastest growing sector within the solar industry. With growth of over 10X in the last five years, the US Department of Energy has set a goal for additional 8X growth through 2025. To put this in perspective, it equates to building as much community solar in four years as has been built in the history of the residential solar sector.

The 2025 target would see 5 million homes receive their electricity from community solar systems. Given that an estimated 70% of homes are not suitable for onsite solar, not to mention countless businesses, it's clear that the 2025 goal is just the beginning for this industry.

To date there are community solar projects in 39 states across the country, but the vast majority (about three-quarters) are in just four states, representing massive pent up demand as the sector grows. In 2021 alone, 22 states passed enabling legislation for community solar, opening the floodgates for further growth.

The main bottleneck to this growth is the interconnection processes with utilities. In many cases, utilities are overwhelmed and unfamiliar with how to model or value distributed generation on the grid. To help them, we continue to take part in industry trade groups and build relationships with our counterparts to ensure a streamlined and efficient process across the industry.

CAPEX Inflation Offset by Electricity Rate Increases:

Though much has been made of inflation's effect on CAPEX, the more-than-offsetting effects of rate increases have gone mostly unnoticed. Electricity markets like New York are seeing the largest price increases in at least 50 years. Rate increases north of 40% in markets like Maine, where several of our 2022 deployments lie, are driving increases in both our project revenue assumptions and IRRs, over and above inflationary pressures on CAPEX.

Supply Chain:

Just about every industry is seeing supply chain constraints, and solar is no exception, but these recent events gave us an opportunity to put it in context. Solar panels are the biggest CAPEX component and currently cost about 10% higher than pre-pandemic. Almost all of that increase is driven by shipping costs, which are about \$0.04/W higher than they were pre-pandemic. Inverters have been roughly flat since the

implementation of Section 301 tariffs in early 2019, while racking has recently seen prices increase about 10%; which may sound like a lot, but only accounts for about a \$0.01/W increase, or well under 1% overall.

The other aspect of the supply chain is timing, where we're seeing extended lead times on equipment delivery. That said, our project development timelines generally average one-to-three years, so in the big picture these delays are manageable.

Meanwhile, solar module manufacturing capacity has skyrocketed during the pandemic, and is in the process of increasing by over 100% from Q1 2021 through projected year-end 2022. Such expansion will mean a return to decreasing solar panel prices, as has been the long term trend.

Looking Forward:

Here at UGE we continue to win new deals and move projects through our project development (backlog) stages. We look forward to a busy April, which will include our typical quarterly review early in the month and the release of our year-end numbers by the end of the month. In the meantime, we remain on track to close the previously announced debt facility by the end of Q1.

As always, just let us know if you have any questions.

Kind regards,



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