

Canadian Solar: Sell the Project or Keep the Asset?

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Case convention: This is a constructed management decision exercise. The company had publicly described projects as eligible for sale or long-term ownership, but did not disclose a board vote, a sale-versus-retain mandate, or project-level return targets. The alternatives below are teaching constructions, not company proposals.

The decision

Canadian Solar's second-quarter results showed two distinct businesses under one corporate umbrella. Manufacturing sold solar modules and battery energy storage systems; Recurrent Energy developed solar and storage projects, sold some assets, operated a portfolio that generated electricity revenue, and provided power services. Management said project sales helped manage cash flow and debt and fund growth in the owned portfolio. At June 30, Recurrent had a 21.7 GWp solar pipeline and an 84.1 GWh storage pipeline. The company said projects could be held for long-term ownership or sold at different stages, depending on market conditions and capital-allocation priorities. [P01]

That flexibility left a strategic question open: how should Recurrent sequence the sale and retention of its projects? A sale can return capital sooner and shift operating, financing, and market exposure to a buyer. Retaining a project can preserve contracted electricity revenue and future operating value, but it requires capital, financing, and execution. The public information did not disclose project-by-project sale bids, expected cash flows, remaining investment, project returns, or an announced portfolio allocation rule.

The financial backdrop matters, but it does not dictate one answer. Canadian Solar reported \$1.461 billion in cash and cash equivalents and \$389.1 million of restricted cash at June 30. Its rounded \$1.9 billion "cash position" included restricted cash. Q2 used \$181 million of operating cash, and total debt including financing liabilities was \$7.1 billion. Recurrent-related debt was \$4.1 billion, of which \$2.6 billion was non-recourse. Q2 revenue was \$1.2 billion, gross margin was 13.9%, and the company reported a \$77 million GAAP net loss attributable to shareholders. The quarter's margin comparison was affected by the prior quarter's tariff-refund benefit and by sale-type-lease accounting in the prior-year quarter. These figures describe pressure and capacity together; they do not establish distress or disclose the amount of capital available for new commitments. [P01]

Assignment. Recommend a Recurrent project-sale and ownership sequence for the next planning cycle. Choose a monetization-led approach, an ownership-led approach, or a hybrid selection rule. State the project information you would require before committing, the factors that should determine whether a project is sold or retained, and the evidence that would change your recommendation. Treat HJT Phase II installation as fixed context: management said

equipment installation would start before year-end, with trial production expected in Q1 2027. Do not recommend pausing or canceling Phase II; the public record does not give its cost-to-complete, sunk commitments, cancellation costs, or returns. [P01]

A pipeline is a set of options, not a forecast

At June 30, the solar pipeline comprised 1.724 GWp under construction, 2.208 GWp in backlog, 2.229 GWp in advanced development, and 15.506 GWp in early development. In rounded terms, that was 1.7 GWp under construction, 2.2 GWp backlog, and 17.7 GWp advanced or early stage. The 2.2 GWp backlog generally had passed a “risk cliff,” often after approvals, interconnection and offtake arrangements; most backlog was contracted. The advanced and early stages were less mature. The company also disclosed that 392 MWp in backlog had been partially sold to third parties. [P01]

Storage was at a different mix of stages: 0.600 GWh under construction, 4.378 GWh backlog, 7.841 GWh advanced development and 71.238 GWh early stage. In rounded terms, 0.6 GWh was under construction, 4.4 GWh in backlog, and 79.1 GWh advanced or early stage. The company said storage pipeline projects could also be retained or sold. [P01]

Canadian Solar cautioned that pipeline capacity did not predict future owned assets, revenue growth, or operating results. Some projects might be sold, transferred or otherwise monetized; projects under construction or backlog also faced schedule and execution risks. A gigawatt at an early interconnection stage is not economically equivalent to a permitted, contracted project or an operating asset. The disclosed capacity totals do not tell you the price a buyer would pay or the capital needed to complete any one project. [P01]

Three engines, different cash profiles

Recurrent described three sources of value: electricity revenue from operating projects, sales of development-stage and operating assets, and long-term operations and maintenance services. Management said these activities could help manage cash flow and debt while funding growth in the owned portfolio. It reported 15 GW of contracted O&M projects. No disclosed figure isolated the contribution margin or cash yield of the owned assets, sale proceeds by stage, or O&M profit. [P01]

The manufacturing business supplied another source of growth and demand. e-STORAGE reported a \$3.5 billion contracted backlog, including long-term service agreements, and described signed orders as binding customer commitments. That backlog belongs to the storage-solution manufacturing segment; it is not Recurrent’s project pipeline or asset-sale proceeds. Management planned to start Phase II equipment installation before year-end 2026 and expected trial production in Q1 2027, following Phase I’s 2.1 GWp opening. It expected total U.S. cell capacity to reach 6.3 GWp in the first half of 2027. Those plans create operating context, but the company did not disclose a project-level competition for capital between HJT and Recurrent assets. [P01]

Recent examples showed how varied the choices could be. Recurrent’s 150 MWac Carwarp solar park reached commercial operation on August 12 and had a long-term Microsoft power purchase agreement. The project held planning and grid approvals for a possible 120 MW battery system; the company did not disclose a construction commitment, financing, or commercial-operation date for the battery addition. For a different California project, Cobalt, the company announced \$484 million in debt financing and \$211 million of tax equity for a 330 MW project under construction, targeting commercial operation by the end of 2027. These are project-specific examples, not standardized terms available to the entire pipeline. [P01, P02]

Funding and operating conditions

The company's June 30 cash-and-cash-equivalents balance was \$1.461 billion. Restricted cash was \$389.1 million, comprising \$374.7 million current and \$14.5 million noncurrent. Restricted balances should not be treated as unrestricted parent cash. The Q2 cash-flow statement showed \$180.8 million used in operations and \$345.1 million of purchases of property, plant, equipment and intangibles during the quarter's first half, plus \$42.5 million for solar and storage systems. Working capital affected operating cash flow; these figures are not a project-level funding schedule. [P01]

Total debt, including financing liabilities, was \$7.1 billion: \$4.1 billion related to Recurrent, \$2.5 billion to Manufacturing, and \$0.4 billion to convertible notes. Recurrent's \$2.6 billion of non-recourse debt was secured at project level and should not be presented as equivalent to parent recourse debt. New non-recourse construction borrowings were the main reason total debt rose from \$6.8 billion at March 31. The company did not disclose how much of a hypothetical asset sale would be available to Canadian Solar after project debt repayment, partner claims, taxes, transaction costs, and any reinvestment needs. [P01]

Management expected Q3 revenue of \$1.3 billion to \$1.5 billion and gross margin of 13.5% to 15.5%. It expected previously deferred project sales to close in Q3. These were forecasts as of August 27, not completed sales. The actual timing and proceeds of those transactions could affect the attractiveness of selling versus holding other projects. [P01]

The choice

Three approaches are defensible:

1. **Monetization-led:** Sell more projects once key development milestones are reached, favoring earlier capital recovery and reduced construction or operating exposure. Retain assets only where contracted cash flows and financing support a clearly superior long-term ownership case.
2. **Ownership-led:** Retain selected projects, particularly operating or well-contracted projects, to build a recurring electricity-revenue base. Sell earlier-stage projects or assets with weaker risk-adjusted economics to help fund that ownership strategy.
3. **Hybrid selection rule:** Evaluate each project at explicit decision gates and sell, retain, or wait according to maturity, contract quality, remaining capital, financing terms, expected operating value, and company liquidity. This preserves flexibility, but depends on reliable project-level information that the public record does not provide.

Do not assume the 21.7 GWp solar pipeline or 84.1 GWh storage pipeline is all financeable, saleable, or destined for ownership. State which project-level facts would be needed to compare options, how you would treat non-recourse project debt and restricted cash, and what signals would cause you to change course. A recommendation may include thresholds, but label them as your proposed decision rules rather than company guidance.

Sources and evidence notes

- **P01:** Canadian Solar, Q2 2026 Form 6-K and Exhibit 99.1, accepted August 27, 2026; [SEC filing index](#), [SEC release exhibit](#), [issuer-hosted results release](#). Locators in the research packet refer to the issuer-hosted release rendering.
- **P02:** Canadian Solar, August 13, 2026 Cobalt financing Form 6-K, [SEC filing](#).

- Historical financial figures are company-reported for Q2 or June 30, 2026. Management plans, outlook and strategic comments are identified as such. Pipeline capacity is gross project capacity, not a revenue or valuation estimate.