



Session 3B: PV Project finance

The Session 3B was divided into three parts:

The first part, “**Equity Investments**” analysed how to place equity financing in the best ways in order to sponsor PV projects and on how to attract investors.

Ms. **Flesche** (Epuron) showed the different possibilities of funding projects from equity capital during its several phases and explained the best practices when searching reliable investors (those who are familiarized with the PV sector) for long-term relationships.

The investors’ perspective was given by Mr. **Rossbach** (Impax Asset Management Ltd.) who examined the current market challenges, noting that high costs are not only due to silicon shortage and explained how to invest after the equity is in but before banks’ funding and how to deal with a multi-project entity.

Other practical examples were put forward by Mt. **Kröni** (Edisun Power). He analysed technical risks of projects and recommended the equity capital as the best way of project funding. Having enough projects in the pipeline and providing appropriate financial products for the investors, will guarantee a sufficient equity base.

The second part, “**Debts financing**” was oriented to examine non-recourse financing for solar PV projects and to evaluate technical risks of the investments.

Mr. **Fernandez** (BP Solar) presented the advantages of project finance from the project-developers’ point of view and focused on large projects.

On the other hand, Mr. **Lepercq** (Solairedirect) presented the best practices when financing small projects, especially in the BIPV field. Reducing debt service and risk (by offering warranties and O&M contracts, monitoring plans, insurance, attribution of responsibilities, etc.) as well as marketing and management costs are some of the key factors to optimize the financing of a PV system.

The bank’s point of view was brought by Mr. **Ulrich** (HSH Nordbank) who evaluated the risk of the investment, based on cash-flow models. The robustness

of the project's cash flow will determine the debt capacity and the debt service will differ depending on each market.

Spain and Germany were the two reference cases when comparing market and financial situations. Whereas Spain presents a more unstable and uncertain market (the new feed-in-tariff will be published at the end of September 2008), but with high investment return rates (~12%), Germany presents a stable market with smaller benefit rates (~8%).

Despite the uncertainty resulting from the new Spanish regulation due in September, developers are still working on future projects and investors have not slowed their contracts.

The third part, titled “**Limiting investments risks**” was presented by representatives of banks.

The first presentation was held by Mr. **Junior** (Commerzbank) who analysed the best ways to reach securisation on non-recourse financing projects which represent around 30% of the total PV projects. Securisation will help to reduce all-in financing cost and gain additional security and transparency in the financing process. Standardisation was highlighted as an important step in terms of evaluation of project risks (i.e. standards certification and „rating“ of the technology) and legal documentation facilitates.

Mr. **Ferreti** (Dexia) analysed the risk of investment from a more technical point of view. One of the most risky aspects of a PV project is that you have to invest 99% of the total capital at the beginning of the project. For this reason, an accurate estimation of the performance of the system for its whole life-time, a good initial system design (avoiding future shadows, making the best use of the inverter), selection of high quality modules (fulfilling all quality certifications) and a system monitoring plan are some of the necessary aspects to be taken into account in order to reduce the investment risk.

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