

Environmental Finance

Solar's time in the sun is nigh, say financiers

24 June 2010

The focus of growth in renewables is likely to flip from wind to solar, as the falling price of the technology and equipment make it more competitive with other renewables, experts said.

In the next five years, the renewable energy sector will be defined by tremendous growth in photovoltaic and thermal solar projects, financing experts told attendees of Argyle Executive Forum's 2010 Deal Making in the Energy Sector conference in New York last week.

"Solar is going to be huge in the future," said Geoff Broglio, vice president of Hudson Clean Energy Partners in Teaneck, New Jersey. "It's growing tremendously now."

Global wind installations have increased about 27% every year for the last decade, said Olav Junttila, partner with Greentech Capital Advisors based in New York. "That's a pretty astonishing number," he said. "I think we're really going to see something very similar on the solar side."

But there will be ups and downs in the solar sector, with feed-in tariffs being readjusted, in Europe especially, and investment tax credits in the US constantly in danger of expiration, he said. "But there is an underlying trend toward more cost competitiveness," Junttila said. "There is so much supply at this point around the world that it's going to keep those costs down."

Meanwhile, one of the main drivers of costly solar projects is the "healthy" margins for manufacturers, he said. "You've got First Solar, the king of the industry, earning 40% margins on the manufacturing business," Broglio said. "It's been going on for a while, but that's not really sustainable. That makes a technology look a lot more expensive, but the true cost is much lower."

"The technology is better, the price is coming down and frankly it is something that can be more easily sited behind fences, closer to the load," said David Bickham, a partner at law firm K&L Gates in Austin, Texas. "You're not constrained by where the wind resources are."

Wind will continue to be a big component of the renewable energy sector, but until transmission issues are resolved, wind projects will remain confined to selected areas where the transmission is already available or can be made available within a single state pretty quickly, he said.

But on a long-term basis, offshore wind will present a major opportunity once the supply chain is built, said Michael Donnelly, managing director at GE Equity in New York.

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