

CEFC finance brings new options and expertise to solar PV market in Australia

Up to \$116 million program with senior debt finance from CEFC to expand access to solar PV

SUMMARY

The Clean Energy Finance Corporation (CEFC) is providing up to \$70 million senior debt finance under a \$116 million solar PV power purchase agreement (PPA) program to be delivered by SunEdison, a leading US vertically integrated solar company. SunEdison will enter the Australian market with a range of differentiated finance products including leasing and PPAs. This program will support expansion of the solar PV market in Australia, bringing new financing options and leading international expertise to the market that will help commercial and residential customers to take up solar energy.

“While Australians have been great adopters of solar PV, especially at a residential level, we still lag behind other countries that don’t have our abundant solar resources. By expanding the financing options available and introducing new financing models tailored for different market segments, we can make better use of what should be a competitive advantage for our country.”

Oliver Yates
CEO, Clean Energy Finance Corporation



SunEdison’s Australian businesses will originate, design, install, own, operate and maintain the solar PV systems and lease them, or sell the power (depending on the contract) to customers, working with local partners.

The CEFC’s finance for the SunEdison program will see deployment in Australia of a quality solar product and bring the company’s US and global experience across the solar PV sector to the local market. It supports a growing maturity of the industry in Australia and ensures safe, reliable systems are deployed with best practice monitoring and maintenance.

This financing for the SunEdison program is part of the CEFC’s work with a number of Australian and international financial institutions, solar providers and manufacturers to offer new financing products that will accelerate Australia’s uptake of solar technology. PPAs and leases will help overcome

the existing barriers that have held back take up of solar power by the commercial and residential sectors. By removing the need for upfront capital and allowing the benefits to remain with the building occupants when a tenant moves, PPAs and leases will accelerate use of solar power across all sectors.

Customers will benefit directly with lower energy bills, with lease payments structured to provide an immediate financial benefit. These savings are achieved with a full end-to-end service for the customer covering quotes, selecting technology, arranging installation and providing ongoing service and maintenance guarantees.

SunEdison's financing models will bring new financing products to the existing rooftop solar PV market and expand the options available for businesses and households who want to access solar power.

PROJECT IMPACT

The SunEdison program forms part of the CEFC's strategy of working with Australian and international financial institutions, solar providers and manufacturers to offer new financing products to widen and deepen the Australian solar PV market and enhance the uptake of solar technology.

These new offerings include both PPAs and solar leasing, and represent an important development in solar PV financing in the Australian market. Whilst the models are relatively new here, they are well established in overseas markets.

The financial products will make solar more accessible across the market, for households

and businesses, including those in rental premises or multi-occupancy buildings, and will reduce electricity bills while increasing the total supply of solar power in Australia.

These new financing products will be rolled out by established, experienced and accredited installation companies and suppliers.

Expanding access to solar PV in Australia

While there has been widespread take up of solar PV by the residential sector in Australia, with about 1.25 million solar rooftops, there is still considerable untapped potential. Solar PV in the commercial sector has lagged behind the residential sector and represents less than 7 per cent of the solar PV market. This is much lower than in most other advanced economies and the opportunities for commercial sector solar are significant, particularly since most commercial and industrial energy demand is during the day when the maximum solar power is generated.

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Project Impact continued...

Over the past four years, interest in commercial solar has increased, however there are still several significant hurdles that are limiting investment by this sector. The main barrier is the upfront cost and the usually long payback period of over five years when many businesses operate with a three to five year payback threshold for their capital investments.

The power purchase model overcomes this challenge as individual and commercial customers do not pay for the upfront purchase and installation of the equipment and customers can achieve immediate savings on their energy bills.

These financing products allow commercial customers to focus on their businesses as they do not have to worry about getting solar quotes, deciding on the best system, choosing an installer and maintaining the equipment.

SunEdison is a leading, vertically integrated Tier 1 solar solution provider and, as the long-term owner with responsibility for the equipment's performance and maintenance, has a financial interest in ensuring use of high quality equipment, monitoring and maintenance. They have established partnerships in Australia with leading high quality businesses with strong, local reputations.



With immediate savings for the customer, the power purchase and leasing products are expected to significantly increase installation in the commercial and residential sectors.

Reducing consumers' energy costs

Customers will enter into a leasing or PPA agreement to access the power generated by the solar units installed by SunEdison Australia. These agreements will be structured so that monthly lease payments are less than their normal monthly power bill and there are immediate positive cash flow benefits for customers.

The lease or PPA gives a customer long-term certainty on the price they will pay for the solar component of the power they use and if grid electricity prices increase, their overall savings will increase.

Expanding the solar financing market

SunEdison's financing models will bring new financing options to the Australian rooftop solar PV market and expand access to solar

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Project Impact continued...

power for individuals and businesses both large and small.

When PPAs and leases were introduced in the US they quickly became the most popular method for customers to access solar energy. In Colorado, for example, they first became available in 2010 and by mid-2011 they represented over 60 per cent of all residential installations and continued to rise to 75 per cent through the first half of 2012. PPA financing has been available in California for nearly 10 years and 75 per cent of new solar PV home installations now use a leasing or PPA structure compared with only 10 per cent in 2007. Australian market research and international examples indicate that many Australian home owners and businesses would prefer to lease rather than buy when the option is available and structured to make it financially attractive.

The CEFC expects that this model could prove attractive in the Australian market.

The CEFC's finance for the SunEdison program will see deployment in Australia of a quality solar product



"The relatively long pay back periods for rooftop solar have meant standard bank loan terms were not financially attractive to customers. With the CEFC's finance, SunEdison is able to introduce a number of financing models to Australia, using our global experience, that will provide an immediate cost saving to customers and expand the use of solar resources here."

Pashupathy Gopalan

*President, SunEdison Asia Pacific,
Middle East and South Africa*

FINANCE

CEFC is providing up to \$70 million of senior debt finance.

SunEdison will be contributing equity to the program to bring the total program funding to \$116 million.

There is no concessionality.

SunEdison is a global leader in transforming how energy is generated, distributed and owned. SunEdison manufactures solar technology and develops, finances, installs and operates distributed solar power plants, delivering predictably priced electricity and services to its residential, commercial, government and utility customers. SunEdison also provides 24/7 asset management, monitoring and reporting services for hundreds of solar systems worldwide via the company's Renewable Operation Centre (ROC). SunEdison has offices in North America, Europe, Latin America, Africa, India and Asia. SunEdison's common stock is listed on the New York Stock Exchange under the symbol "SUNE." To learn more visit www.sunedison.com.

SunEdison's financing models will bring new financing options to the Australian rooftop solar PV market and expand access to solar power solar for individuals and businesses

The Clean Energy Finance Corporation (CEFC) invests using a commercial approach to overcome market barriers and mobilise investment in renewable energy, energy efficiency and low emissions technologies.

As at 30 June 2014, the CEFC has contracted investments of over \$900 million in projects with a total value of over \$3 billion. The CEFC invests for a positive return, with its more than 40 direct investments and 25 projects co-financed under aggregation programs expected to achieve an average financial yield of about 7 per cent.

These CEFC investments are expected to achieve abatement of 4.2 million tonnes of CO₂e per annum with a positive net benefit to the taxpayer in the order of \$2.40 per tonne CO₂e. They help to improve energy productivity for businesses across Australia, develop local industries and generate new employment opportunities.

The CEFC operates under the *Clean Energy Finance Corporation Act 2012*. More information is available on our website www.cleanenergyfinancecorp.com.au

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