

To DOE – The following activity is already underway. It would be interesting to hear the panelists/audience reaction

Background

Increased acceptance of PV as an asset class by Wall Street, Venture Capital, and equity markets in general is closely linked to proper evaluation of system production output, and the risks associated with cash flow projections.

Objective - Identify market gaps with respect to quantification of project risk, capital formation, and bankability. These steps will lead to model guidelines for key stakeholders in project finance, capital markets, design/engineering, and installation that drive standardization of best in class solutions for increasing liquidity in aggregate for PV project portfolios. Form a Technical Working Group is to bring best practice leaders together to develop coordinated strategies to increase confidence, decrease risk, and improve flow of capital while investigating ways to accelerate commercialization of new technologies through validation of system performance and reliability.

Initial considerations

From 2007-2011 project finance capital was from a handful of players that were the early adopters with a growing number of players moving in for tax equity. However, not enough capital to serve the GW of project pipelines and what is available is too expensive. As more players come into the market, the cost of capital will be driven down. Thus, this group should focus on instruments that improve the process to increase the pool of capital and number of players coming into the market. We need a process to support where and what type of product we're talking about.

Tax equity terms are at odds w/securitization structures in terms of smoothing ROI and cash flow. Banks need to take more risks as a result, therefore putting pressure on sponsor equity. Tax equity complicates the weighted cost of capital. This group's goal should be to drive reduction in avg. weighted cost of capital in 2012/2013.

Solution Paths to be Investigated (Details)

Program Framework

(SolarTech / CalCEF)

- o Segment the market and map which tools are needed for each
- o Define a series of incremental steps to chart a course to 2017 ITC expiration that enables increased capital formation in a predictable way to based on a standardize model process flow framework.
- o Convene a series of roundtables and interviews
- o The model process should cover several scenarios over various time horizons (12-18 months, 18-24 month, 24-36 months) that might consider various framework assumptions from 2012à2017. For example:

§ A – Tax equity + Federal policy	2012 - 2014
§ B – Tax equity + Innovation	2013 - 2015
§ C – Solve for lack of tax equity	2014 - 2016

Rating Agency Outreach

(Rating Agencies)

- o Understand how rating agencies perform project/portfolio analysis
- o Distinguish between rating a project vs. a portfolio of projects
- o Identify immediate gaps in the market with respect to quantification of project risk, capital formation, liquidity, and bankability.
- o Understand variance between underwriting for system performance insurance versus securitization
- o Provide a model toolkit to be used for inputs to a variety of capital markets

Risk

(Insurance, underwriters)

- o Facilitate the underwriting process by focusing on the risk, or backstopping the risk, and exposing issues that could result in a better models and methods

- o Help define the various datasets, spreadsheets and answers underwriters seek
- o These parties should look at similarities in the information needed, and evaluate parallel processes of underwriting based on “semblance of similarity” required in documentation regardless of market sectors
- o Focus on risk mitigation scenarios with an eye toward model provisions:
<http://www.americansecuritization.com/hub.aspx?catid=19&mainid=5>

Local/Regional project finance outreach

(Banks)

- o Identify and explain instruments that improve the process to increase the pool of accessible capital
- o Gain consensus on standards for form and format of documents, as a means to drive down transaction costs

Access to system data, analytics, and methods

(Industry)

- o Analyze various components of risk, including: Engineering performance, Data collection, Operations & Maintenance, Technology performance, Financial performance, Policy environment.
- o Compare the information and services developers need versus what the securitization process needs and where conflicts / gaps are
- o Explore and subsequently pursue the creation of liquid, publicly traded securities representing economic interest in solar energy projects.

Project origination & pipeline development

(Team)

- o Propose risk reduction solutions, mechanisms aimed at reducing perceived and real project risk across the project delivery chain

National Labs – roles, resources, methods, capabilities

(National Labs)

- o Leverage models, analytics, data gathering efforts from National Labs and private companies
- o Model guidelines for key stakeholders in project finance, capital markets, design/engineering, and installation that lead to increased liquidity for PV project portfolios

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