

Solar park business development in foreign countries for Turkish corporates



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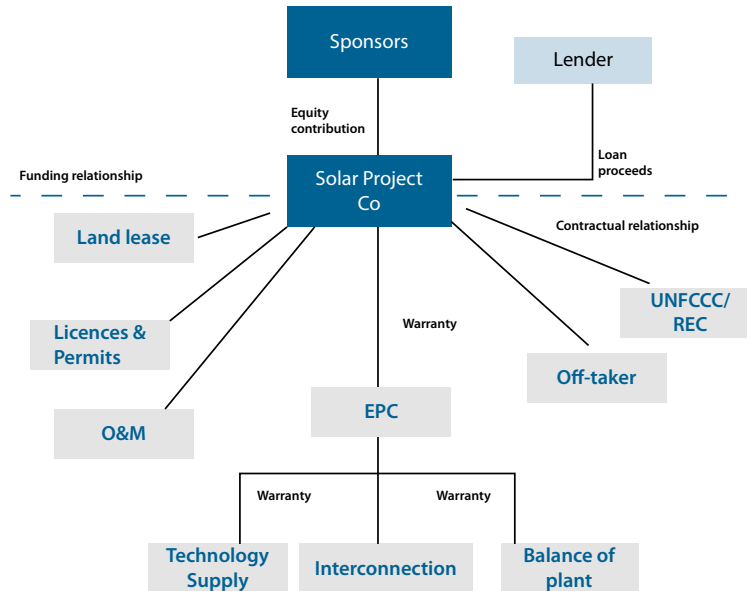


Figure 1 : Project Structure

In recent years, Turkish corporates are extending their solar activities to foreign countries like MENA; Africa, Eastern Europe, CIS countries etc. The main focus of these companies are to export solar equipment, be a contractor, perform outsourced construction works. In order to get the maximum benefit and profit from foreign country operations in renewable energy it is important to have a business development perspective.

In terms of the business development perspective, the companies to enter the market, should consider the structure, financing, and advisory services as a package along with contracting, EPC and equipment procurement. This article will mainly focus on a Solar Park Development Project and state main pinpoints for players in the market.

The project development structure with needed players as a whole can be outlined below:

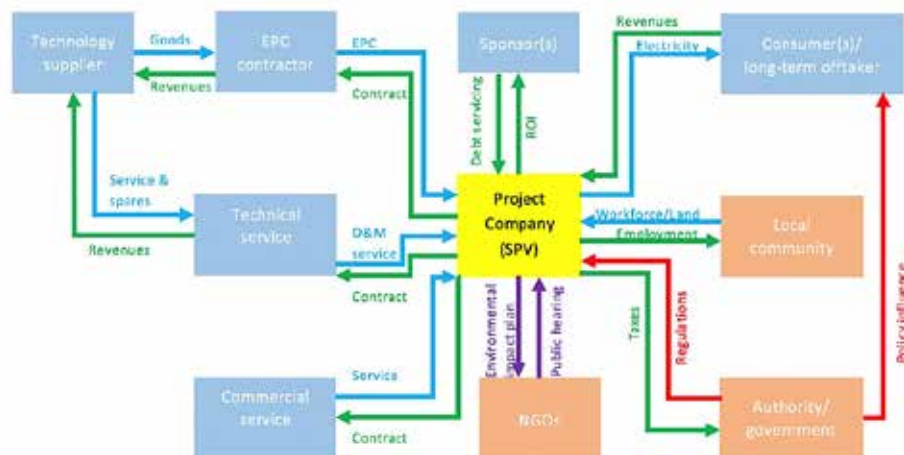


Figure 2 : Project Stakeholders

Stakeholder Type	Description
Project company (SPV)	Owns and operates project; partner for different agreements
Sponsor(s)	Provides financial resources
Consumer(s)/Long-term offtaker	Purchases project output
Authority/Government	Provides law, regulation, and/or financial incentive
Local community	Provides resources—e.g., workforce, land
EPC contractor	Provides engineering, procurement, and construction of project
Commercial service provider	Operates general management contracts
Technical service provider	Provides operations and maintenance through service contract/insurance
Technology supplier	Deliver devices (i.e., solar panel)
NGOs	Serving as non-government organizations in interests of the public

Table 1 : Project Stakeholder Description

In this kind of structure it is important to have advisory services at Sponsor Side for successful completion. The main advisory services needed can be outlined as below:

Project Finance Advisory:

Main Scope:

1- Financial Advisory

- Financial Modelling
- Negotiation, structuring and closing of the financing
- Management of Finance obligations

2-PPA Structuring

- Negotiation, structuring and closing of the agreement

The Project Finance Advisory activities should be able to construct and manage all the following project steps:

- Proposal Submission
- Business plan development
- Feasibility studies
- Review of EPC contracts.
- Approval & disbursements of funds
- Monitoring Project Progress
- Loan repayment & Loan re- settlement

Project Legal Advisory:

Main Scope:

1. Review, negotiation, drafting, analysis and implementation of Finance Documentation & Project Documentation under International Law
2. Project Permits & Licences Due Diligence under Local Law



» **Project Solar Technical Advisory:**

Main Scope:

1. Project Management During Development
2. Feasibility Study & Solar Yield Assessment
3. Design Engineering
4. Technical Due Diligence

Project Construction Technical Advisory:

Main Scope:

1. Construction Supervision & Monitoring
2. Commissioning Supervision & Monitoring

Project O&M Advisory:

Main Scope:

1. O&M supervision & Project Performance Monitoring

At the financial side of business development, 2 main activities can be outlined. Initially for project cash flow the main determinant will be understanding the market support mechanisms. Market-based support mechanisms consist of two main approaches. In the price-based market instruments, price is determined by the policymaker, while quantity is regulated by the market. In addition to price, the policy can be tailored to focus specifically on the investment (i.e., investment subsidies, tax incentives) and/or the generation (i.e., feed-in premium, feed-in tariff, net metering). In the quantity-based market instruments, quantity is determined by the policymaker, while price is determined by the market. Quota obligation (i.e., tradable green certificates or renewable portfolio standards), tender scheme, and auctions are amongst the policy choices.

	Price-based Instruments	Quantity-based Instruments
Investment-focused	Investment subsidies Tax incentives	
Generation-focused	Feed-in premium Feed-in tariff Net metering Net billing Tax incentives	Quota obligation Tender scheme Auctions

Source: Adapted from IET (2015).

Table 2 : Project Market-Based Support Mechanisms

The funding alternatives are critical for achieving maximum return from business development activities. Although mainly debt and equity financing can be used, besides typical debt and equity financing options, alternative options are operating leases and capital leases mainly for other developing countries.

Structure	Potential advantages	Potential disadvantages
Debt	Fast, drawable options	Higher rates, on-balance sheet
Equity	No impact on debt profile	Potential future capital constraints
Capital leases	Tax benefits, low transaction costs	On-balance sheet
Operating leases	Tax benefits, low transaction costs	May require on-balance sheet

Table 3 : Project Funding Alternatives

All the above details, are only a preliminary guideline for project developers for solar stand alone or solar park projects and still the developing countries pose other critical risks for legal, regulatory, and financing to be focused on.

References:

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