

A green-tinted photograph showing a large piggy bank with a green face and sunglasses. A line of small, grey stick figures is walking from right to left, carrying various items like a globe, a plate, and a cup, as if they are contributing to or managing the piggy bank's funds.

HOW TO FUND YOUR RENEWABLES INSTALLATION

IT'S EASIER THAN YOU MIGHT THINK...

Renewable technologies will have an immediate impact on your energy consumption and put money back where you can spend it on the things you need to grow your business.

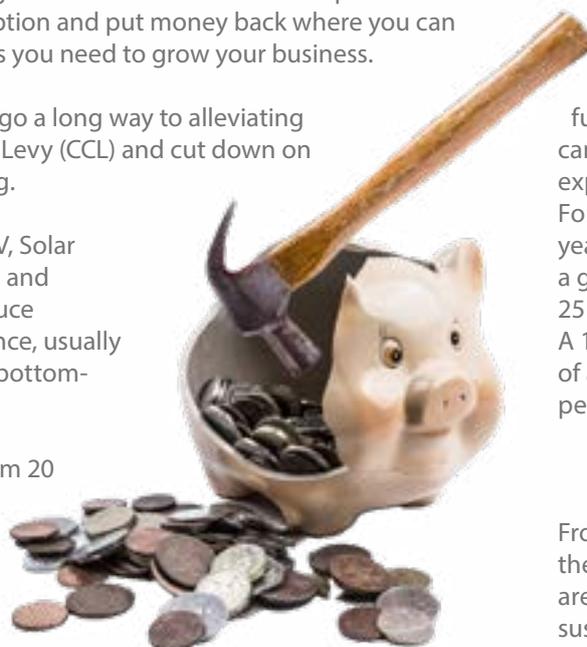
Renewables can also go a long way to alleviating your Climate Change Levy (CCL) and cut down on your carbon reporting.

Examples like Solar PV, Solar Thermal, Heat Pumps and Biomass Boilers produce impressive performance, usually fast ROI and years of bottom-line benefit.

Some also benefit from 20 years of Renewable Heat Incentive (RHI).

So what are the main ways to fund your installation?

There are three, with a host of variations.



1. CapEx

The obvious choice if you have capital in the bank. It's worth funding your installation this way if you can, because the long-term ROI you can expect will be far better than bank rates. For example, with a payback between 4-7 years, high quality Solar PV panels have a guaranteed 80% minimum output after 25 years, so you can expect big returns. A 149kW array will produce benefits of around £1,782,481.69 in that same period.

2. Green Finance

From asset finance to hire purchase, there are many options, and banks are now very keen to lend against sustainable energy projects, with term periods from 5-7 years. Good quality renewables will last 25+ years, so this is also a great option and you *may* get a lower interest rate.

3. Power Purchase Agreement (PPA) & Heat Purchase Agreement (HPA)

Power or Heat Purchase Agreements, are becoming a very popular way of financing renewable technologies and the model is now reaching the SME market.

The image to the right looks like a normal Solar PV installation on an industrial unit, and in the engineering sense, it is.



If your energy usage and roof space meets specific criteria, a PPA allows you to benefit from a Solar PV installation with little or no upfront costs, with the purchase funded by a third party like one of IU Energy's PPA finance providers. You simply buy electricity at cheaper than market rate from the third party and the system is also maintained by the provider as part of your contract.

A Heat Purchase Agreement (HPA) works similarly, where as an example, a Biomass boiler is owned by a third party and you purchase heat from them for space and water heating.

Pros of a PPA or HPA. The main benefit of a PPA or HPA is that you avoid having to pay the upfront cost of a system, and experience an immediate reduction in your energy expenses from the first month of operation.

In addition to reducing your energy expenses, a PPA or HPA provides a predictable energy or heat price for the duration of the contract – you are spared the unpredictable increases of energy companies and you are guaranteed that this part of your energy or heat supply is, for many years, immune from energy security concerns. It also reduces the burdens of the Climate Change Levy and Carbon reporting.

A PPA or HPA also allows you to dedicate resources to your core business and also leaves system maintenance to experts. Consider too, that equipment purchases and installation drain and tie up capital that can be used elsewhere.

Cons of a PPA or HPA. The main drawback is that the PPA and HPA price includes the cost of professional services (like maintenance) offered by the system provider, and you would save slightly more in the long run by owning it. However, this is a small price to pay when you consider that the PPA or HPA provider provides technical expertise and the maintenance, whilst assuming the financial risk and giving you instant savings.

Another disadvantage of a PPA or HPA is that you can't sell the system if you sell your property (freehold or leasehold), since it is legally owned by the PPA or HPA provider. This can be a drawback if you plan to move soon. However, most service providers and PPA/HPA financiers include a clause that makes the contract transferrable to the new occupants (ask for one if it's missing). You still have to convince the new owners, but the prospect of cheap electricity or heat with no extra cost is attractive.