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Fund to Offer Solar 'Leases'

Renewable Ventures says it raised \$100 million to pay solar costs for customers.

February 28, 2006

Renewable energy investment firm Renewable Ventures said Tuesday it has raised \$100 million from institutional investors for a fund that will help organizations switch to solar power.

Instead of investing in startups, Renewable Ventures will finance, own, and operate solar projects for businesses, government agencies, and nonprofits that want to go solar but don't have the capital to pay for the upfront costs of buying and installing a system.

In exchange, those customers will agree to buy the power for about 20 years for a fixed or adjustable rate lower than the current utility rates for electricity, said CEO Matt Cheney. He compared the financial model to that of car leases and home loans. The customers also have the option to buy the system.

"Although solar energy is soaring in popularity, the upfront cost of installing a system is still a major obstacle for potential customers," Mr. Cheney said. "Our financing solutions remove that economic barrier of entry, giving electricity consumers easy access to stable power rates and helping solar developers make the sale."

Renewable Ventures and its investors will get a modest, but low-risk return in the high single digits or low double digits, partly from the tax benefits of owning solar plants, Mr. Cheney said.

The money will be committed within about six months, and will finance 60 to 70 projects totaling about 16 to 20 megawatts of solar capacity, he said.

"This is the largest vehicle to date in the U.S.—and probably the world—which will facilitate solar for those which would otherwise not be able to afford it," he said.

Mr. Cheney wouldn't disclose the names of the investors, but said they are five Fortune 200 companies. Renewable Ventures is raising money for several similar funds, he said, adding that the total capital pool will come from about 50 large companies.

'There have been a number of false starts in the past, but there's a strong sentiment that this time, it's real.'

-Robert Wilder,
WilderShares

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Rhone Resch, president of the Solar Energy Industries Association, called the announcement a "major breakthrough" in showing how financial institutions will back solar projects.

"This type of innovative financial structure is what it will take to make solar mainstream in the U.S.," he said. "Certainly this type of entrepreneurship and maturation of the market are important to show that solar will be ramping up rapidly once supplies are available."

A global shortage of polysilicon, the grade of silicon used for solar photovoltaics (PV), has limited the supply of solar PV.

But announcements such as this one will help give silicon suppliers and solar manufacturers the confidence to ramp up production more quickly, said Robert Wilder, president of the WilderShares, which helps maintain two indices of clean energy stocks (see [Tracking Clean Energy Globally](#), [Clean Capital](#)).

"There have been a number of false starts in the past, but there's a strong sentiment that this time, it's real," he said. "This shows that even conservative money is now looking at alternative energy, not as alternative, but as energy. It's a situation where the need for renewable, alternative, innovative energy is pretty clear."

The fund and its new financing structure also will help ensure new PV supply gets routed to the United States, and not just to Germany and Japan, Mr. Resch said. Those countries are currently bigger markets with large incentives for solar (see [U.S. Lags in Clean Energy](#)).

The fund announcement is a sign to foreign manufacturers that the U.S. market is also ripe for new solar products, Mr. Resch said.

"Between the California solar initiative, the federal tax credits, the new presidential Solar America initiative, and this innovative financing, there's a clear signal to foreign manufacturers that the U.S. is open for business and will very soon be the biggest market in the world," he said (see [California Solar Gets \\$2.9B](#), [Energy Bill Reactions Mixed](#), [Clean Energy Earns Bush's Nod](#)).

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