

INTERVIEW: Upsolar to apply project development experience to Empower investment

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Integrated solar photovoltaic energy company Upsolar plans to utilise its experience in project development to help ensure its investment in renewable energy project fund Empower is successful, Enrico Carniato, Upsolar's Deputy General Manager of Global Investment and Business Development, told Clean Energy Pipeline.

Empower was launched this week by private equity fundmanager Archeide Lux, and Upsolar has agreed to act as seed investor, providing an initial \$20 million in funding. Founded in China in 2006, Upsolar expanded its solar module manufacturing activities into Europe in 2008 and diversified into project development in 2011 when the European solar market was booming.

"We've reached a total asset volume today of 11 MW that was something like Eur25 million in capital expenditure," Carniato said. "We started these activities in 2011 and during this time we [began to] better understand the investment process. We have a background in the design, manufacture and sales of solar panels [and] from our side we met the financing from our core business, which is different from the deployment of energy production.

"We decided to invest in this fund to leverage on our existing asset [base] and let it grow in terms of value, due to the increase of value of the fund. We thought we could bring PV culture into the financial business and of course benefit from it for future growth in this business."

The Empower fund will have a diverse focus, investing in wind, hydro, biomass and energy efficiency projects alongside solar PV, though as Upsolar is the seed investor, it will naturally tilt towards solar initially. Empower's first investment will be in operational solar plants already owned by Upsolar, which will guarantee some initial income for the fund's backers, but its ultimate aim is to create a fund that will have a diverse range of small- and medium-sized plants in various sectors.

"When you start an investment it's not only to bring money in but you have to know how to spend the money to make an investment profitable, otherwise there is a risk it might not be used in the right way," said Carniato. "So, on one side we are

putting money on the table, but from the other side, we are using assets we have already built, that we know are bringing returns already.

"The fund can count on already established assets that have been producing for a couple of years. So the fund is already able to give back some returns, and those returns come back to us as an investor. It's a win-win situation for us.

"Looking at the pipeline at the moment, the biggest project is 12 MW, and according to the asset manager, [Empower has] a pipeline of 85 MW. That depends on the opportunity that can arise within the market. It does not mean going for 100 MW in one shot will be recognised as a safer investment, rather than [several] medium investments in different markets. I know the fund is targeting projects right now in Australia, Japan, the UK, and some in Italy and the US."

Archeide Lux intends to grow the size of Empower to \$300 million by 2015 and Carniato stated that, partially because the fund is not large enough to attract institutional investors, it is targeting mid-sized companies like Upsolar that want to generate returns from renewable energy projects but are not sufficiently large enough to build up a substantial diversified asset portfolio themselves.

"The target of the fund today is medium-size investors, because the size of the fund is not so big," Carniato explained. "We cannot go to the City and ask the same amount from any institutional investor because they have their rules and at the moment the minimum ticket you used to pay is the ticket we're paying to get in. For financial regulation, the investment must generally be at least 10%, so we are too small at the moment for institutional investors and too young.

"But it is a good opportunity for medium-sized investors that are not big enough to invest in projects themselves but see this as an opportunity to join us and have profitability on their investments this way."

Investors interested in Upsolar's investment in Empower can contact Enrico Carniato, Deputy General Manager – Global Investment and Business Development, at enrico.carniato@upsolar.com. ■

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