

INTERVIEW: UPSOLAR VIEWS MOVE TO EUROPEAN GRID PARITY AS ROUTE AWAY FROM FIT DEPENDENCE

7 February 2014

Solar energy provider Upsolar sees solar development moving away from Europe, but expects the move towards grid parity on the continent will allow renewable energy to move away from a feed-in tariff (FIT) system to one based more on market prices, according to Enrico Carniato, the company's Deputy General Manager of Global Investment and Business Development.

Formed in China in 2006, Upsolar's core business involves the production of solar photovoltaic modules, but the company entered the European market in 2008 and expanded into project development in 2011 as the European solar industry was booming.

European solar installation has fallen off somewhat over the past two years as governments cut or withdraw subsidy support but, although he acknowledged that the solar sector in Europe has receded, Carniato told Clean Energy Pipeline that the falling price of solar will allow Upsolar to compete on a more direct basis without the industry being reliant on feed-in tariffs. It intends to be active in the sector either through its own projects or through Empower, the diversified clean energy investment fund in which it has just invested \$20 million.

"Recently, we have seen see that the euro base is losing a little bit of its importance in the worldwide PV business against Asia and the American market, even though in Europe I believe there are more opportunities because the market is much more mature and in certain countries there is already grid parity," Carniato said.

"To me, achieving grid parity in different areas of Europe represents an interesting opportunity to play with certain rules defined by the market, and not only by a feed-in tariff – I'm thinking, for example, of smart grid generation as something that is coming out.

Looking at the European market, I think the entire EU PV market will cover 8-9 GW, which in any case is a big number for this year. There are many opportunities, and even though the fund is targeting [projects] worldwide, there is already some pipeline in many European countries to tap into, and success here in EU can be used as a model for future growth globally."

Although there will still be development in Europe, this does not automatically mean the financing for renewable energy will necessarily be in place, however. Basel III, the banking legislation finalised last year that limits the investment risks banks can take, has made it more difficult for banks to finance renewable energy, which means that in Europe financing will increasingly come from alternative sources.

"In the renewable world, development is driven by banks at the moment and there is a general lack of liquidity, especially in Europe due to Basle III rules," Carniato said. "So I believe in a kind of financing [where] private equity investments will have a relevant role.

"The problem is finding the right tools. It's interesting to explore and you have many cases, like in the UK for example, where crowdfunding is very well developed. For all these kinds of financing, Europe is the best place to start and then [it will expand] to other markets afterwards."

Upsolar's decision to enter the project development sector was based partly on its limitations as a solar module maker, Carniato said, explaining that it related to the company's overall strategy. In contrast to some other China-based PV equipment makers, Upsolar focuses on technical innovation rather than production volume, which meant offering a more integrated business model was a natural progression and one that the company believes will become the norm in the solar sector.

Outside Europe, Upsolar is also assessing the market in North America and Asia. Emerging markets will likely follow a development model similar to the US and gravitate towards larger utility-scale plants as long as there is the political will to get them built, whereas more established solar nations such as Japan will gradually move to a more distributed generation model.

"At the moment, looking at Upsolar, Japan is a really promising market," Carniato said. "We established a branch there more than three years ago so we were one of the first non-Japanese Asian players to have a branch in Tokyo, and it is performing very strongly to date. The US market is also very important for us, even though the approach is different. Japan is more of a distribution market that requires really high level of service for the Japanese customer. The US is more targeted towards utility customers or larger developments in PV volume.

"You see all the potential growth in the Middle East for the Arabian market, or the Qatar, UAE countries, even though in that market, I believe that as soon as there is not strong political action from their government, it will be quite tough. In terms of technical regulation [and] the grid, I believe there is still something to do before the potential is filled."

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

Contact the reporter about this article: Rob Lavine at rob.lavine@vbresearch.com

Organisation:	Upsolar Europe SAS/ Upsolar Group Co. Ltd
Subject:	Corporate / industrial news
Tags:	USA, Japan, Europe, Asia, Middle East, Management & Installation, Solar