

Solar My Business

Financing. Your options.

Low cost financing up to \$5m

The Federal Government's Clean Energy Finance Corporation www.cefc.com.au works with banks and financiers to help businesses invest in clean energy assets.

Low cost financing up to \$5m is available for solar systems, battery storage, energy efficient manufacturing equipment, building insulation, heating and cooling, demand management systems and low emission/electric light commercial vehicles.

The CEFC has many partners however presently only ANZ and BOQ offer discounted rates for all these assets::

- Renewable energy technologies
- Energy efficient technologies
- Low emission vehicles

ANZ Energy Efficient Asset Finance

www.anz.com.au/business/loans-finance/loans/asset-finance

Bank of Queensland Energy Efficient Equipment Finance

www.boqfinance.com.au/energy

Power Purchase Agreements (PPAs)

PPAs are sometimes used to finance solar installations. In many ways they are similar to an operating lease. A third party will install a solar system for free, however rather than making lease payments you agree to buy the solar power produced at an agreed rate for an agreed number of years.

For a PPA to be cost effective you must be able to save enough money on electricity when you are using it to offset the cost of exporting it to the grid, plus enough to give you an overall reduction in your electricity cost compared with your current arrangement.

There's no such thing as a standard PPA so we recommend seeking professional advice. PPAs tend to suit larger, seven day a week business, such as supermarkets, breweries and hotels, where almost all the electricity generated is consumed on site.

Community financed solar - Leverage your impact

In 2018, 4 Pines' employees and customers became investors in the Brookvale brewery's solar installation. Investors earn a steady return each year, enabling 4 Pines to showcase their sustainability credentials and allocate capital to other opportunities.

Two established and well regarded not-for-profits, www.clearskysolar.com.au and pingala.org.au help businesses, private schools and community groups finance their solar installations by raising money from local investors. Check out some recent installations.

Clear Sky Solar & Aeronaut Automation

vimeo.com/196823881

Contact Warren Yates: w Yates@clearskysolar.com.au

Pingala & Young Henry's Brewery

www.youtube.com/watch?v=_zM1jG6TfZE

Contact April Crawford Smith: april@pingala.org.au

Rebates are still available

In 2009 the Federal Labor Government introduced the Solar Credits Scheme as an incentive to invest in renewable energy as part of a Renewable Energy Target (RET) introduced by the Coalition Government in 2001. For each 1 MWh of electricity produced until 2030, a solar system is entitled to one certificate.

- Systems under 100kW are eligible for small scale generation certificates (STCs), payable at the time of installation.
- Systems over 100kW are eligible for large scale generation certificates (LGCs), claimable as the system generates power. LGCs are not as attractive as upfront STCs hence the popularity of 99kW systems!

At current prices the STC rebate is around \$530 per installed kilowatt. This means a 50kW system is subsidised by \$26,500 or around a third of the system cost. Installers can use companies to provide "firm" STC pricing when quoting. Ask about this option so there are no surprises at payment time.

Generation certificates trade on the open market. See current pricing here www.demandmanager.com.au/certificate-prices

Now is a good time to invest in solar. Rebates are gradually declining and interest rates are at record lows.

Important

This is general advice only. We recommend seeking independent financial and taxation advice.

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Three options compared

Our local business case studies show solar delivers significant savings regardless of which financing option chosen. To help you decide which one is right for your business, the comparison table at right models three popular options, all of which are cashflow positive within five years:

- Cash up-front
- Chattel mortgage
- Operating lease (sometimes called “rent to buy”)

Our model for the comparison table is based on the following assumptions.

Business assumptions	
Business operating hours	8am – 4pm, five days a week
Electricity cost	30 cents per kWh
Average business day usage	250kWh
Electricity consumed during day	80%
Average non-business day usage	75kWh
Company tax rate	27.5%

Solar installation details	
Solar system	50kW
System cost after STC rebate	\$55,000 incl GST
Solar feed-in tariff	10c per kWh
Interest rate – loan & lease options	6% pa
Depreciation	5% pa prime cost method
Cost to replace two inverters	\$12,000 in year 12
Decline in solar panel efficiency	-0.7% pa

Results	Before solar	After solar
Electricity bill	\$22,570 pa	\$7,360 pa
CO ² emissions saved		54 tonnes pa
Car kilometres saved		315,000kms pa
Trees planted		807 trees pa

Interest rates

In this example, interest rates would need to exceed 9% and 8% on the mortgage and lease options respectively, to negate the positive cashflow benefits of installing solar within the first five years.

GST

The GST is claimable at the next BAS for cash and mortgage options, whereas it's claimable over the term of the operating lease.

Comparison table

The table shows there is a strong case to install solar regardless of which financing option is chosen. ZESN consider the analysis conservative as it does not include changes in demand charges or electricity prices.

The benefit of free electricity accrues over the 25-year panel warranty period more than halving the effective electricity price.

Commercial installations benefit from economies of scale. As a guide, 1kW of commercial solar costs around \$1,100 after rebates and saves 1.1 tonnes of CO² emissions every year.

Cashflow impact (after tax)	Cash upfront	Chattel mortgage	Operating lease
Year 1	-\$38,285	\$3,791	\$377
Year 2	\$11,638	-\$862	\$377
Year 3	\$11,561	-\$515	\$377
Year 4	\$11,485	-\$168	\$377
Year 5	\$11,409	\$180	\$377
Payback	4.3 years	4.7 years	4.8 years

Over 5 years			
Cashflow benefit	\$7,807	\$2,426	\$1,887
Effective electricity price	27c	29c	29c
Reduced electricity price	-10%	-3%	-2%

Over 10 years			
Cashflow benefit	\$64,333	\$58,952	\$58,413
Effective electricity price	18c	19c	19c
Reduced electricity price	-39%	-36%	-36%

Over 25 years			
Cashflow benefit	\$218,932	\$213,092	\$212,554
Effective electricity price	14c	14c	14c
Reduced electricity price	-53%	-52%	-52%

Tax deductibility

Only the interest component of lease payments and their depreciation is tax deductible. The ATO prescribes the useful life of solar panels as 20 years. You can choose between a

5% per annum depreciation rate using the prime cost (or straight line) method or 10% per annum depreciation rate using the diminishing method.

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