PVFINANCING

# Fact Sheets for Selected Financial Schemes

## Austria

PV Financing Project

Deliverable 3.2

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 646554

# 1 Self-funded

Self-funding a PV system is the most simple and un-bureaucratic financing scheme as it does not involve any third party actors. The investment is simply financed by a person's or organization's disposable capital.

| | |
|---|---|
| **Key Players** | House owner |
| **Financial Terms / Conditions** | n.a. |
| **Risks** | All risks lie with the buyer of the PV system |
| **Rights** | n.a. |
| **Obligations** | n.a. |
| **Investment Criteria** | Rather low investment costs of smaller PV systems, available investment grants, possibility of selling excess electricity, independency<br><br>Currently low interest on savings, therefore low opportunity costs |
| **Legal Requirements** | n.a. |

## Application on the segment

Self-funding is widely and successfully used by households. Purchasing a PV system is in most cases seen as an investment in a green technology that enables increased personal independence as well as savings on utility bills. Generally, private persons therefore only invest if they have the necessary savings to purchase a PV system. Since interest rates on savings are currently at an unfavorably low level, investments in PV systems are comparably more attractive due to the future savings realized through the PV system.

In the residential sector, PV systems are rather small and therefore, their investment costs are rather low. Since financing small units is associated with substantial administrative overheads for banks it is uncommon to seek loans in the residential single house-segment.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Un-bureaucratic | • Availability of savings |
| • No further obligations | |

## Application on business models

The most advantageous business model for households is to maximize the level of self-consumption. By consuming a maximum of the produced electricity, the household needs to purchase less electricity from the grid and the plant reaches its break-even point earlier.

## 2 Leasing

This financing scheme involves two parties – the lessor (investor) and the lessee (user) – who sign a long-term leasing contract. The lessor (usually an electricity supply company) purchases, installs and operates the PV system and the user (household/organization) consumes the generated electricity for a fee. The investor retains ownership of the system throughout the duration of the contract.

| | |
|---|---|
| **Key Players** | Lessor (investor, usually an electricity supply company), lessee (user, private person/organization) |
| **Financial Terms / Conditions** | • Lease contract duration: varies between 7, 13 and 25 years, depending on the plant size, applicability of a subsidized FiT; sometimes a minimal contract duration applies (e.g. 5 years). If the contract is terminated by the lessee before the end of the contract, additional costs arise for the lessee.<br>• Leasing rate: in most cases, the lessee pays a fixed monthly fee (e.g. 40 EUR/month for PV electricity produced by a 3 kWp plant); yet, fees per consumed kWh are also possible (e.g. 12-15 EUR cents/kWh)<br>• The leasing rate is usually fixed for the entire term of the lease, i.e. if power supply prices rise, the lessee has an advantage<br>• At the end of the lease, the PV plant either becomes property of the lessee or can be renewed; this depends on the terms of the contract negotiated before it was signed. |
| **Risks** | The risks for the lessee are rather low, as the responsibilities regarding the plant lie with the lessor (this is laid out in the leasing contract).<br>A risk that lies with the lessee is the possibility that he cannot maximize his self-consumption to the necessary level to exceed the leasing rate. Additionally, the lessee faces the possible risk that the PV system does not perform as well as expected or that it is of low quality. |
| **Rights** | The lessor is responsible for planning, installing and running the plant and bears all associated risks. Additionally, the lessor is also responsible for service, insurance and maintenance and liable for any damage.<br>Therefore, in the case of any irregularities, the lessee has the right to demand for them to be fixed by the lessor |
| **Obligations** | The lessee has to pay the fees as stipulated in the contract. |
| **Investment Criteria** | • Fixed fee for the term of the contract (while the cost of power from the grid might rise)<br>• Use of PV electricity without having to raise the funds for purchasing a system |
| **Legal Requirements** | Contract between lessor and lessee |

## Application on the segment

Leasing is more common in the case of commercial lessees than of private persons. However, some energy supply companies already offer this possibility for households. A household would generally choose leasing if it does not have the necessary means to self-fund a PV system, but still wishes to save on costs for electricity from the grid.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Possible to benefit from the use of PV electricity without having to raise the investment sum | • Fixed contract terms, fees arise for prior termination |
| • Virtually risk-free | |
| • Depending on the contract, the lessee might be offered the option of purchasing the plant after the duration of the contract | |

## Application on business models

In the case of a fixed monthly lease, the household should maximise its consumption of PV electricity to save on electricity costs. In the case of leasing fees per kWh, it is also ideal to maximize consumption of PV electricity, given that the fees are lower than the cost for electricity from the grid for households. In the future, leasing possibilities of PV systems coupled with storage devices might be offered, which would further enable households to increase their self-consumption. However, at present storage systems are still quite costly which is why it is to be expected that the leasing fees would be increased accordingly.

# 1 Self-funded

Self-funding a PV system is the most simple and un-bureaucratic financing scheme as it does not involve any third party actors. The investment is simply financed by a person's or organizations disposable capital.

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|---|---|
| **Key Players** | Building owner (sometimes: cooperative) |
| **Financial Terms / Conditions** | In most cases, the PV system is funded by the building owner due to legal reasons (see below). If the system is funded by the tenants, investment contributions are allocated according to flat size. |
| **Risks** | All risks lie with the buyer of the PV system |
| **Rights** | n.a. |
| **Obligations** | n.a. |
| **Investment Criteria** | Rather low investment costs of smaller PV systems, available investment grant, possibility of selling excess electricity, independency |
| **Legal Requirements** | Cooperative agreements in the case of multi-party funding |

## Application on the segment

In most cases the building owner himself funds the installation of a PV system. In this case the same restrictions apply and the produced electricity can only be used for general building services.

Additionally, self-funding via a cooperative formed by the building's tenants is also possible. In this case each tenant contributes to jointly purchase the PV system and in exchange benefits from reduced electricity costs.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Un-bureaucratic | • Availability of savings |
| • No further obligations | • Obtaining an investment grant |

## Application on business models

Due to a legal restriction it is only possible to use the produced electricity for general services in the building such as corridor lighting and elevators, but not to power individual flats. The reason is that under Austrian law, it is only possible to sell electricity to more than one buyer if one obtains a special grid license (usually only owned by electricity supply companies).

Therefore, investing in a PV system in the case of multi-family buildings is to date rather unattractive, as the rate of self-consumption cannot reach sufficiently high levels to achieve an economically reasonable amortization.

# 1 Loan

Funding PV systems via loans is most common with larger corporate projects. The conditions at which a loan can be obtained vary and depend on a variety of factors such as: cash flow of the project, company's creditworthiness, company's financing plan, quality of system components. Some banks have minimum amounts of credits (e.g. 25,000 EUR, some banks even 1 million EUR)

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|---|---|
| Key Players | Bank, debtor (shopping centre owner) |
| Financial Terms / Conditions | Tenor: 10 – 13 years<br>Interest rate: 2.25 – 4.5%<br>Key factors: project cash flow, creditworthiness, financing plan |
| Risks | In the case of a cost overrun, the company has to pay for the extra costs without support through an additional loan |
| Rights | No specific rights other than the ones already mentioned |
| Obligations | Debt service<br>The bank retains ownership of the plant until it is completely paid off<br>Securities |
| Investment Criteria | Positive project cash flow and further financial indicator criteria (e.g. DSCR) to be met, reduced electricity costs, "green" image |
| Legal Requirements | Credit agreement between the bank and the debtor |

## Application on the segment

Financing the system by taking out a loan is the most common way, as commercial customers with sufficient securities are generally offered good conditions by banks. Additionally, the current interest level is very low, making loans an attractive source of finance.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Currently low interest rates | • Project design: savings on electricity from the grid and earnings from selling excess electricity via FiT should be sufficient to finance the debt service |
| • Planning reliability | • Takes longer to reach amortization due to interest |

## Application on business models

As in the case of multi-family residential buildings, it is to date legally not possible for the shopping centre owner/operator to sell PV electricity to the tenants as this requires a special grid license that is usually only held by electricity supply companies. Therefore, the produced electricity can only be used for general services such as lighting in common spaces, escalators, elevators etc. However, since large shopping centres consume a large amount of electricity for these general services, investing in a PV system can be economically quite attractive.

Hence, the best business model for shopping centres is again maximizing the rate of self-consumption. If the investment is financed by taking out a loan, the advantage is a high level of planning reliability: stable loan repayments throughout the tenor and savings through the consumption of own electricity. If the investment is designed accordingly, the debt service should be covered through these savings and the earnings from selling excess electricity.

Generally, for a financing scheme to be attractive, the debt service should be covered by the achieved savings on electricity. Therefore it is advisable to tailor the financing terms as much as possible to fit the cash-flow structure. For instance, if the project initiator is granted a subsidized FiT, the tenor is often chosen at 13 years because FiT is also valid for this period.

## 2 Leasing

This financing scheme involves two parties – the lessor (investor) and the lessee (user) – who sign a long-term leasing contract. The lessor (usually an electricity supply company) purchases, installs and operates the PV system and the user (shopping centre) consumes the generated electricity for a fee. The investor retains ownership of the system throughout the duration of the contract.

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|---|---|
| **Key Players** | Lessor (investor, usually an electricity supply company), lessee (shopping centre) |
| **Financial Terms / Conditions** | • Lease contract duration: varies between 7, 13 and 25 years, depending on the plant size, applicability of a subsidized FiT; sometimes a minimal contract duration applies (e.g. 5 years) If the contract is terminated by the lessee before the end of the contract, additional costs arise for the lessee.<br>• Leasing rate: in most cases, the lessee pays a fixed monthly fee (e.g. 40 EUR/month for PV electricity produced by a 3 kWp plant); yet, fees per consumed kWh are also possible (e.g. 12-15 EUR cents/kWh)<br>• The leasing rate is usually fixed for the entire term of the lease, i.e. if power supply prices rise, the lessee has an advantage<br>• At the end of the lease, the PV plant either becomes property of the lessee, can be bought by the lessee or the lease can be renewed; this depends on the terms of the contract negotiated before it was signed. |
| **Risks** | The risks for the lessee are rather low, as the responsibilities regarding the plant lie with the lessor (this is laid out in the leasing contract).<br>A risk that lies with the lessee is the possibility that he cannot maximize his self-consumption to the necessary level to exceed the leasing rate. Additionally, the PV system might not perform as well as expected for instance due to bad quality of maintenance. |
| **Rights** | The lessor is responsible for planning, installing and running the plant and bears all associated risks. Additionally, the lessor is also responsible for service, insurance and maintenance and liable for any damage.<br>Therefore, in the case of any irregularities, the lessee has the right to demand for them to be fixed by the lessor. |
| **Obligations** | The lessee has to pay the fees as stipulated in the contract. |
| **Investment Criteria** | • Fixed fee for the term of the contract (while the cost of power from the grid might rise); sometimes the leasing fee is actually higher than the cost of conventional electricity, but as the fee is guaranteed to remain stable leasing still represents an attractive financing scheme for some lessees<br>• Use of PV electricity without having to raise the funds for purchasing a system |
| **Legal Requirements** | A contract between the lessor and the lessee has to be signed. |

## Application on the segment

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Possibility to benefit from the use of PV electricity without having to raise the investment sum | • Forecasting the development of electricity prices |
| • Stable rate throughout the duration of the contract | • Frequently changing tenants |
| • Generally high level of self-consumption possible due to high electricity use even for general services | |

## Application on business models

As with households, maximizing the rate of self-consumption is the most economically viable business model. Since companies benefit from a lower electricity price compared to households, it is actually possible that the leasing fee is higher than the current electricity price from the grid. However, many companies appreciate the fact that the fee is fixed for the term of the contract as they expect electricity prices to rise.

Again the above mentioned legal restriction prevents shopping center operators to sell the produced PV electricity to the individual shop owners. However, as shopping centers have a rather high level of electricity consumption even for general services, leasing a PV system can be economically attractive.

# 1 Loan

Funding PV systems via loans is most common with larger corporate projects. The conditions at which a loan can be obtained vary and depend on a variety of factors such as: cash flow of the project, company's creditworthiness, company's financing plan, quality of system components. Some banks have minimum amounts of credits (e.g. 25,000 EUR, some banks even 1 million EUR)

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|---|---|
| Key Players | Bank, corporation |
| Financial Terms / Conditions | Tenor: 13 years (period of subsidized feed-in tariff)<br>Interest: 2,25% - 4%<br>Key factors: project cash flow, creditworthiness, financing plan<br>Obtaining a subsidized feed-in tariff also has a positive effect on the offered conditions |
| Risks | In the case of a cost overrun, the company has to pay for the extra costs without support through an additional loan |
| Rights | No specific rights other than the ones already mentioned |
| Obligations | Debt service<br>The bank retains ownership of the plant until it is completely paid off<br>Securities |
| Investment Criteria | Positive project cash flow, reduced electricity costs, "green" image |
| Legal Requirements | Credit agreement between the bank and the debtor. |

## Application on the segment

If the entire office building is owned and used by just one company, investing in a PV system is highly attractive due to the generally high potential of self-consumption.

However, in cases where the office building owner rents offices to multiple tenants, the situation becomes economically less viable.

To date it is not legally possible for the office building owner/operator to sell PV electricity to the tenants as this requires a special grid license that is usually only held by electricity supply companies. Therefore, the produced electricity can only be used for general services such as lighting in common spaces, escalators, elevators etc.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Currently low interest rates | • Project design: savings on electricity from the grid and earnings from electricity sale should be sufficient to finance the debt service |
| • Planning reliability | • Takes longer to reach amortization due to interest |
| | • Changing tenants – risk that no new tenants can be found or that new tenants do not want to participate |

## Application on business models

In both cases the best business model for office buildings is again maximizing the rate of self-consumption. If the investment is financed by taking out a loan, the advantage is a high level of planning reliability: stable loan repayments throughout the tenor and savings through the consumption of own electricity.

Generally, for a financing scheme to be attractive, the debt service should be covered by the achieved savings on electricity. Therefore it is advisable to tailor the financing terms as much as possible to fit the cash-flow structure. For instance, if the project initiator is granted a subsidized FiT, the tenor is often chosen at 13 years because FiT is also valid for this period.

## 2 Crowdfunding

Crowdfunding has gained a lot of popularity in financing PV systems in recent years, especially since the law regulating alternative forms of financing ("Alternativfinanzierungsgesetz") was revised this year to make the framework conditions even more attractive. This financing scheme is popular with public organisations and municipalities, but also with private companies. The concept is rather simple – not one large investor, but a number of investors (private persons or corporations; the "crowd") invest smaller sums into a project. Depending on the type of crowdfunding, the investors can be remunerated with gift vouchers (reward-based), earn an interest (lending-based) or become shareholders (crowd investing, equity-based).

In the case of companies investing in a PV system, reward-based crowdfunding is the most common form. For instance, a well-known Austrian supermarket chain has successfully completed a crowdfunding campaign to finance a PV system for one of its shops. People wishing to contribute could buy vouchers to be used in the shop for 950 EUR, money that is used to buy and install the PV system. People who contributed, receive their vouchers on a yearly basis including a 5,1% interest (i.e. 60 EUR per year).

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| Key Players | "Crowd", office building owner |
| Financial Terms / Conditions | Duration: 5 years<br>Financial contribution varies: 200 -950 EUR per panel<br>Financial contribution per person up to 5,000 EUR, investment above 5,000 EUR is possible if the investor signs a declaration that the invested sum does not exceed 10% of the person's financial assets |
| Risks | Companies have to advertise their project – risk of not finding enough investors |
| Rights | Office building owner can collect funds up to 5 Mio. EUR |
| Obligations | Remuneration through vouchers including an "interest"<br><br>The law on alternative forms of financing stipulates information requirements that vary according to the sum the organisation wants to raise. If the project sum exceeds 100,000 EUR, the project developer has to issue an information leaflet.<br><br>Public announcement |
| Investment Criteria | Attractive remuneration, green image, saving on electricity costs. |
| Legal Requirements | Crowdfunding can be done directly by companies or via a platform |

## Application on the segment

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Access to funds when (attractive) bank loans cannot be obtained | • Organising a campaign and finding enough investors |
| • Green image, advertising | |

## Application on business models

Maximizing self-consumption is necessary for two reasons: to reduce electricity costs and for marketing reasons, as investors expect to shop in a supermarket fully powered by “their” PV system.

# 1 Crowdfunding

Crowdfunding is a popular instrument for municipalities to finance the installation of PV systems. What makes this financing scheme so attractive for municipal projects is that the local population is directly involved. For instance, if a public school decides to install a PV plant and finances it via crowdfunding, teachers and parents have the opportunity to be involved in a project concerning "their" school.

In the case of municipal projects, lending-based crowdfunding, which involves a bank, is common. In this model, the project initiator (=the municipality) does not have to collect the money by himself, but instead opens a savings account that is dedicated to the PV project at the local bank. The public can deposit money in the account and earns a certain interest. The savings account runs for a certain time span, usually 5 to 6 years.

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|---|---|
| Key Players | "Crowd", bank, municipality |
| Financial Terms / Conditions | Duration: 5-6 years<br>Interest: 3-4%<br>Financial contribution per person up to 5,000 EUR, investment above 5,000 EUR is possible if the investor signs a declaration that the invested sum does not exceed 10% of the person's financial assets |
| Risks | Lower risk due to backing through a bank |
| Rights | Access to loan |
| Obligations | Public announcement<br><br>Debt service<br><br>The law on alternative forms of financing stipulates information requirements that vary according to the sum the organisation wants to raise. If the project sum exceeds 100,000 EUR, the project developer has to issue an information leaflet. |
| Investment Criteria | Ownership, investing in a local project, green image, interest |
| Legal Requirements | No legal restrictions regarding the amount that can be crowdfunded due to the involvement of a bank. |

## Application on the segment

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Credibility through participation of a bank | • Higher interest than with bank loans |
| • Reduced risk for the "crowd" as the funds are managed by a bank | |
| • Access to funding if (attractive) bank loans cannot be obtained | |
| • Bank advertises the financing opportunity | |

## Application on business models

Crowdfunding is a useful tool to gain access to finance if bank loans are not possible due to high risk or lack of securities. For public building it allows for local involvement. The best business model is maximizing self-consumption.

## 2 Leasing

This financing scheme involves two parties – the lessor (investor) and the lessee (user) – who sign a long-term leasing contract. The lessor (usually an electricity supply company) purchases, installs and operates the PV system and the user (school) consumes the generated electricity for a fee. The investor retains ownership of the system throughout the duration of the contract.

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|---|---|
| **Key Players** | Lessor (investor, usually an electricity supply company), lessee (school) |
| **Financial Terms / Conditions** | • Lease contract duration: varies between 7, 13 and 25 years, depending on the plant size, applicability of a subsidized FiT; sometimes a minimal contract duration applies (e.g. 5 years). If the contract is terminated by the lessee before the end of the contract, additional costs arise for the lessee.<br>• Leasing rate: in most cases, the lessee pays a fixed monthly fee (e.g. 40 EUR/month for PV electricity produced by a 3 kWp plant); yet, fees per consumed kWh are also possible (e.g. 12-15 EUR cents/kWh)<br>• The leasing rate is fixed for the entire term of the lease, i.e. if power supply prices rise, the lessee has an advantage<br>• At the end of the lease, the PV plant either becomes property of the lessee, can be bought by the lessee or the lease can be renewed; this depends on the terms of the contract negotiated before it was signed. |
| **Risks** | The risks for the lessee are rather low, as the responsibilities regarding the plant lie with the lessor (this is laid out in the leasing contract).<br>A risk that lies with the lessee is the possibility that he cannot maximize his self-consumption to the necessary level to exceed the leasing rate. Additionally, the PV system could underperform for instance due to poor maintenance. In that case the lessee might face restrictions with terminating the contract. |
| **Rights** | The lessor is responsible for planning, installing and running the plant and bears all associated risks. Additionally, the lessor is also responsible for service, insurance and maintenance and liable for any damage.<br>Therefore, in the case of any irregularities, the lessee has the right to demand for them to be fixed by the lessor |
| **Obligations** | The lessee has to pay the fees as stipulated in the contract. |
| **Investment Criteria** | • Fixed fee for the term of the contract (while the cost of power from the grid might rise); sometimes the leasing fee is actually higher than the cost of conventional electricity, but as the fee is guaranteed to remain stable leasing still represents an attractive financing scheme for some lessees<br>• Use of PV electricity without having to raise the funds for purchasing a system |
| **Legal Requirements** | A contract has to be signed between the lessor and the lessee. |

## Application on the segment

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Low level of risk | • Forecasting the development of electricity prices |
| • Stable rate throughout the duration of the contract | |

## Application on business models

Maximizing the rate of self-consumption is the most economically viable business model especially if the school pays a flat-charge as in this example.

# 1 Loan

Funding PV systems via loans is most common with larger corporate projects. The conditions at which a loan can be obtained vary and depend on a variety of factors such as: cash flow of the project, company's creditworthiness, company's financing plan, quality of system components. Some banks have minimum amounts of credits (e.g. 25,000 EUR, some banks even 1 million EUR).

| | |
|---|---|
| Key Players | Bank, corporation |
| Financial Terms / Conditions | Tenor: 10 – 13 years (period of subsidized feed-in tariff)<br>Interest: 2,25% - 4%<br>Key factors: project cash flow, creditworthiness, financing plan<br>Obtaining a subsidized feed-in tariff also has a positive effect on the offered conditions |
| Risks | In the case of a cost overrun, the company has to pay for the extra costs without support through an additional loan. |
| Rights | No specific rights other than the ones already mentioned. |
| Obligations | Debt service<br>The bank retains ownership of the plant until it is completely paid off<br>Securities |
| Investment Criteria | Positive project cash flow and further financial indicator criteria (e.g. DSCR) to be met, reduced electricity costs, "green" image. |
| Legal Requirements | Credit agreement between the bank and the corporation. |

## Application on the segment

Financing the system by taking out a loan is the most common way, as commercial customers with sufficient are generally offered favourable conditions by banks. Additionally, the current interest level is very low, making loans an attractive source of finance.

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Currently low interest rates | • Project design: savings on electricity from the grid and earnings from selling excess electricity should be sufficient to finance the debt service |
| • Planning reliability | • Takes longer to reach amortization due to interest |

## Application on business models

The use of PV systems in industrial parks is again legally restricted in Austria as it is basically only possible for electricity supply companies to sell electricity to more than one consumer.

If just one company consumes the PV electricity investing in a PV system and maximizing self-consumption is economically attractive. But, using PV electricity for an industrial park is only possible to power general services such as lighting in common spaces (e.g. parking lot). This model is however, economically not viable as the savings would not outweigh the debt service.

Generally, for a financing scheme to be attractive, the debt service should be covered by the achieved savings on electricity. Therefore it is advisable to tailor the financing terms as much as possible to fit the cash-flow structure. For instance, if the project initiator is granted a subsidized FiT, the tenor is often chosen at 13 years because FiT is also valid for this period.

## 2 Leasing

This financing scheme involves two parties – the lessor (investor) and the lessee (user) – who sign a long-term leasing contract. The lessor (usually an electricity supply company) purchases, installs and operates the PV system and the user (company) consumes the generated electricity for a fee. The investor retains ownership of the system throughout the duration of the contract.

| | |
|---|---|
| **Key Players** | Lessor (investor, usually an electricity supply company), lessee (company) |
| **Financial Terms / Conditions** | • Lease contract duration: varies between 7, 13 and 25 years, depending on the plant size, applicability of a subsidized FiT; sometimes a minimal contract duration applies (e.g. 5 years)<br>• Leasing rate: in most cases, the lessee pays a fixed monthly fee (e.g. 40 EUR/month for PV electricity produced by a 3 kWp plant); yet, fees per consumed kWh are also possible (e.g. 12-15 EUR cents/kWh)<br>• The leasing rate is usually fixed for the entire term of the lease, i.e. if power supply prices rise, the lessee has an advantage<br>• At the end of the lease, the PV plant either becomes property of the lessee, can be bought by the lessee or the lease can be renewed; this depends on the terms of the contract negotiated before it was signed. |
| **Risks** | The risks for the lessee are rather low, as the responsibilities regarding the plant lie with the lessor (this is laid out in the leasing contract).<br>A risk that lies with the lessee is the possibility that he cannot maximize his self-consumption to the necessary level to exceed the leasing rate. Additionally, it is possible that the system does not perform as well as expected or that the maintenance service is of poor quality. In that case the lessee might face restrictions with terminating the contract. |
| **Rights** | The lessor is responsible for planning, installing and running the plant and bears all associated risks. Additionally, the lessor is also responsible for service, insurance and maintenance and liable for any damage.<br>Therefore, in the case of an irregularities, the lessee has the right to demand for them to be fixed by the lessor |
| **Obligations** | The lessee has to pay the fees as stipulated in the contract. |
| **Investment Criteria** | • Fixed fee for the term of the contract (while the cost of power from the grid might rise); sometimes the leasing fee is actually higher than the cost of conventional electricity, but as the fee is guaranteed to remain stable leasing still represents an attractive financing scheme for some lessees<br>• Use of PV electricity without having to raise the funds for purchasing a system |
| **Legal Requirements** | Contract between lessor and lessee |

## Application on the segment

The advantages and challenges are presented below:

| Advantages | Challenges |
|---|---|
| • Low level of risk | • Forecasting the development of electricity prices |
| • Stable rate throughout the duration of the contract | |

## Application on business models

Maximizing the rate of self-consumption is the most economically viable business model. Since companies benefit from a lower electricity price compared to households, it is actually possible that the leasing fee is higher than the current electricity price from the grid. However, many companies appreciate the fact that the fee is fixed for the term of the contract as they expect electricity prices to rise.