
Financing Renewables: comparison of **DiaCore** cost of capital in 28 EU MS

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Overview

- Background & methodology of research
- Results: comparison of costs of capital
- Conclusions

Background & methodology

Work package: Enhancing RES investment

Main objectives:

- Examine the **role of risk** and its influence on investments in the RES sector;
- Compare the **cost of capital** and show why it matters;
- Provide solutions in order to **enhance investments** in the RES sector;

Scope of research:

- What is the **range between cost of capital** in the 28 EU MS for wind onshore projects and why is there such a range?
- Which **risks to wind onshore** projects have which impact on RES investments?
- How do **changes in policy design affect** costs of capital?

Our methodology for comparing costs of capital and risks

Model

- Estimation of costs of capital & ranking of wind onshore-investments risks
- Comprehensive literature study
- Application of RE-frame barriers database (more than 900 listed barriers)
- Draft of 28 EU MS country profiles

Evaluation

- Interviews with financial experts (more than 80 interviews in 26 MS)
- Evaluation of underlying assumptions of model & estimated parameters
- Adaptation of model based on input from interviews

Results

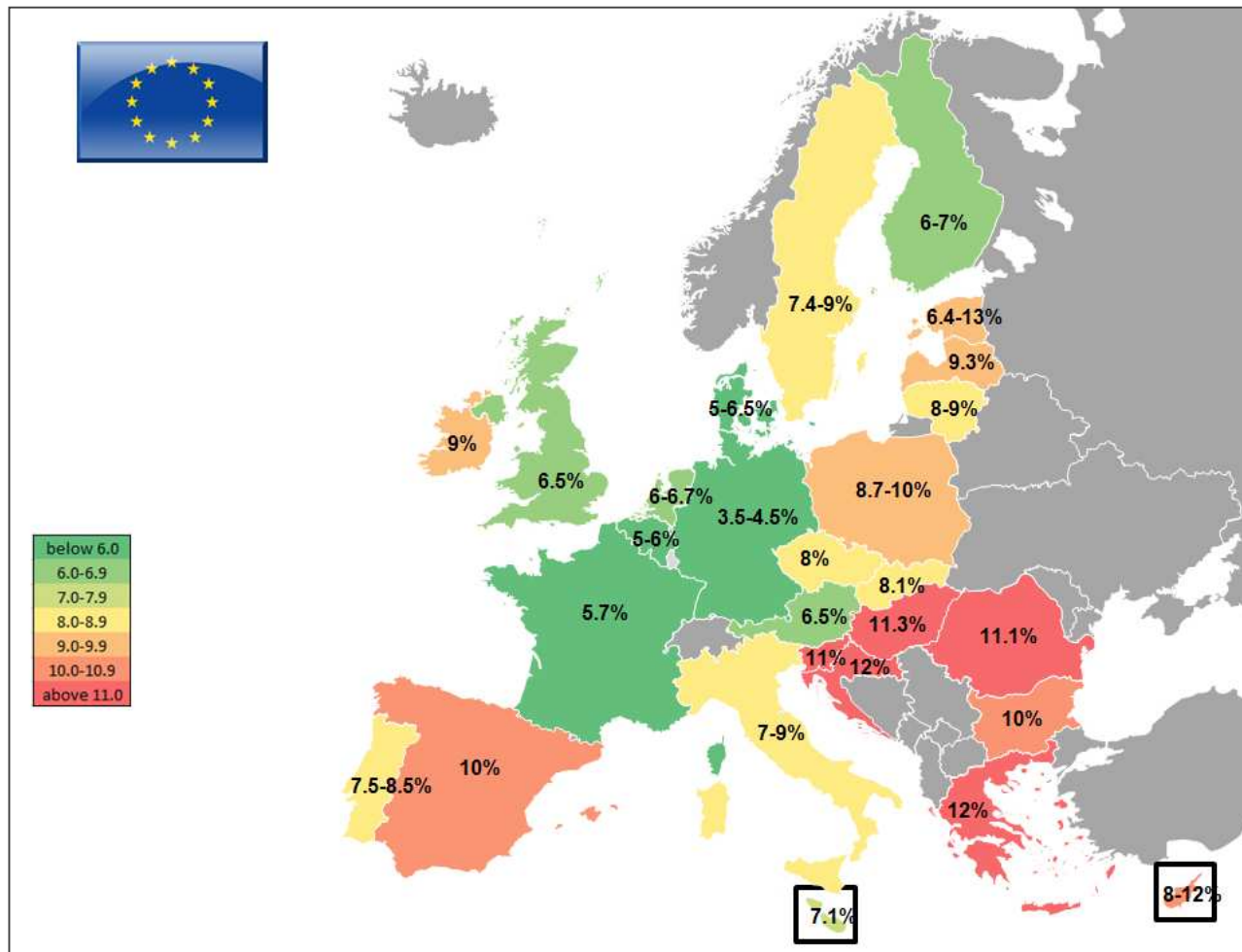
- Aggregation of EU-wide data
- Presentation of results and feedback from more than 40 national experts
- Preparation of deliverables: Country profiles, policy toolbox & final report

Before we start: some caveats

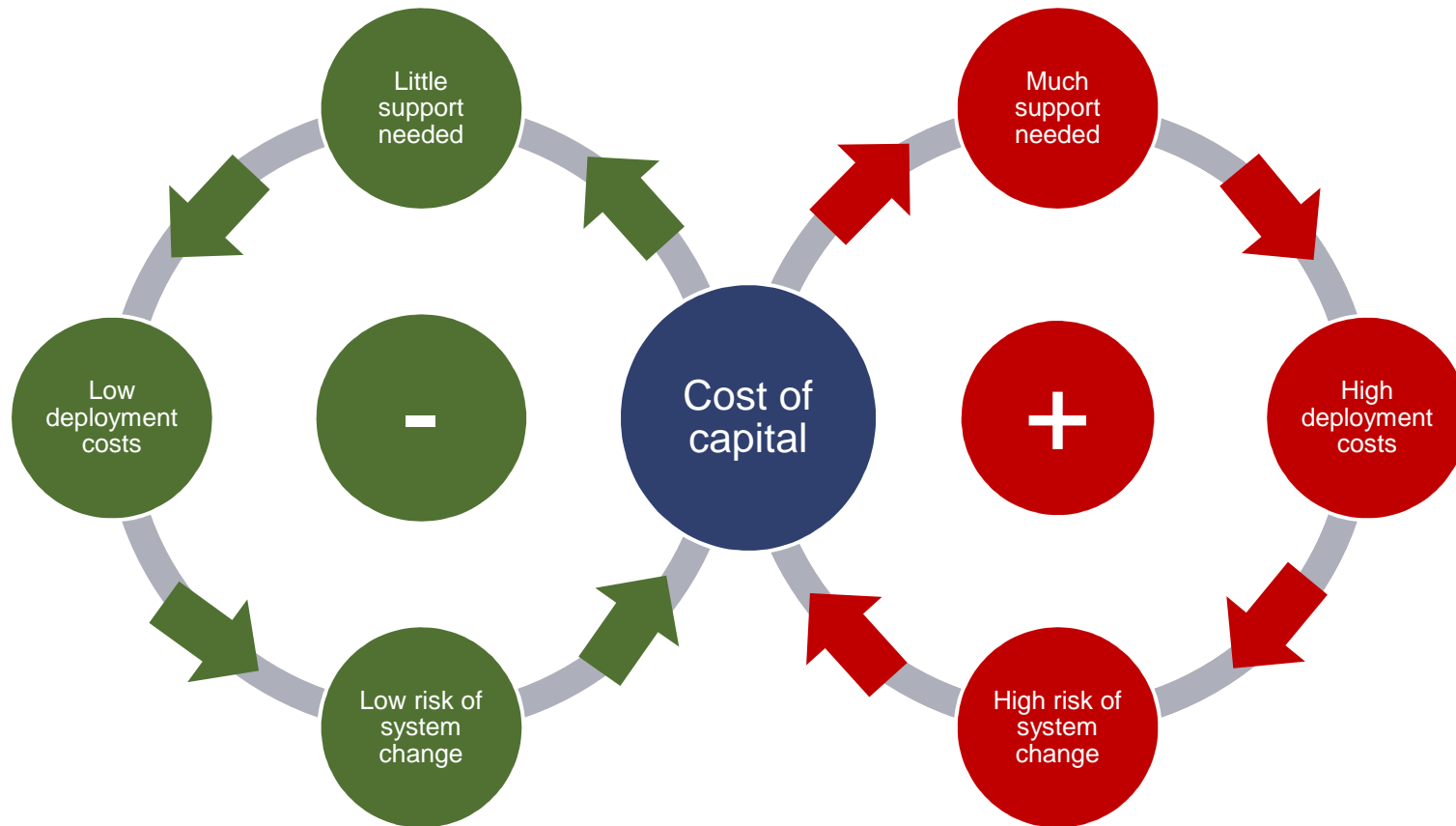
- There are several methods for wind project financing: corporate financing or project financing
- Ongoing changing (often falling) interest rates
- Constant changes of RES market conditions
- Lack of current, significant projects in some EU markets
- Trade secrets

Comparison of costs of capital

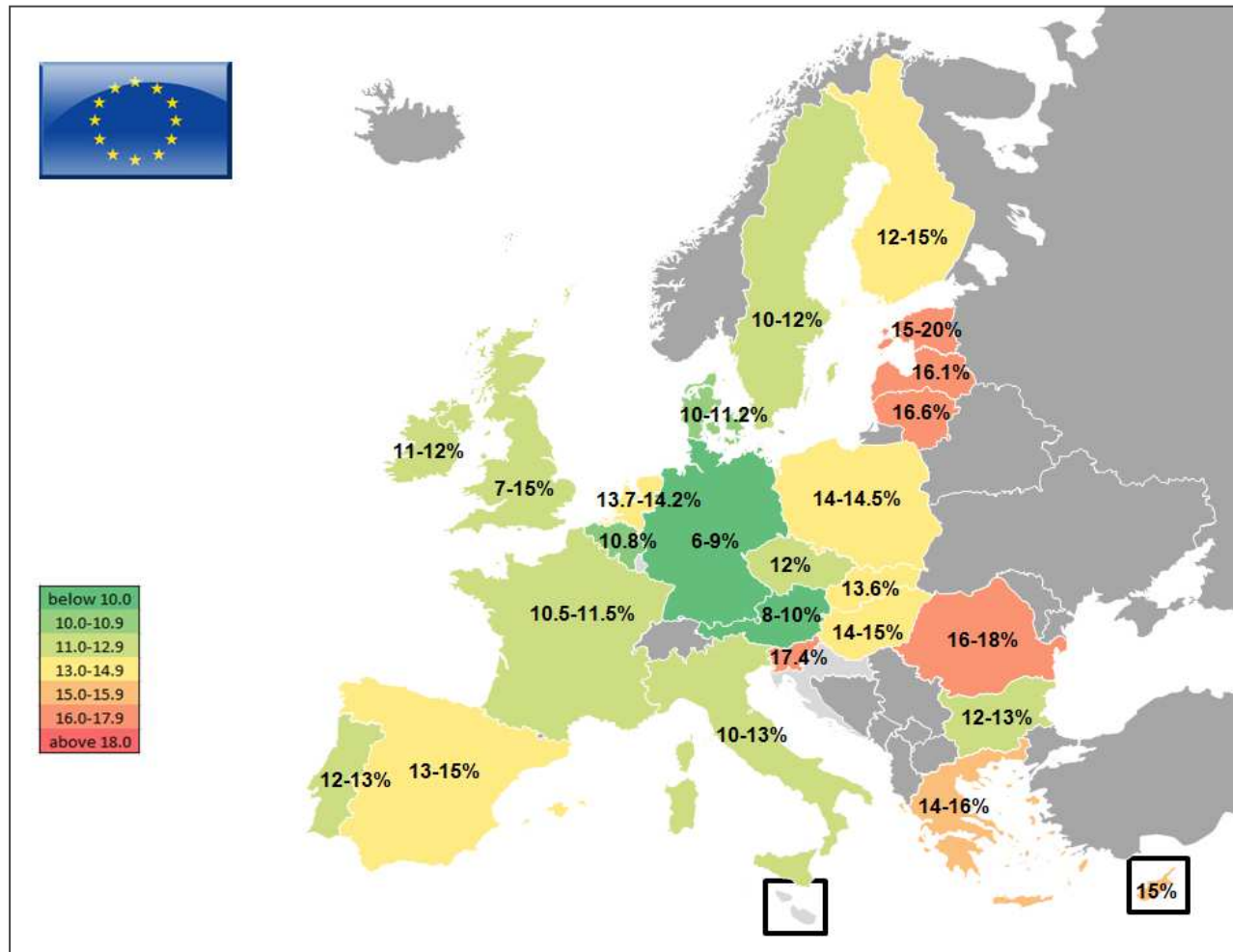
WACC estimations onshore wind – approximation based on interviews



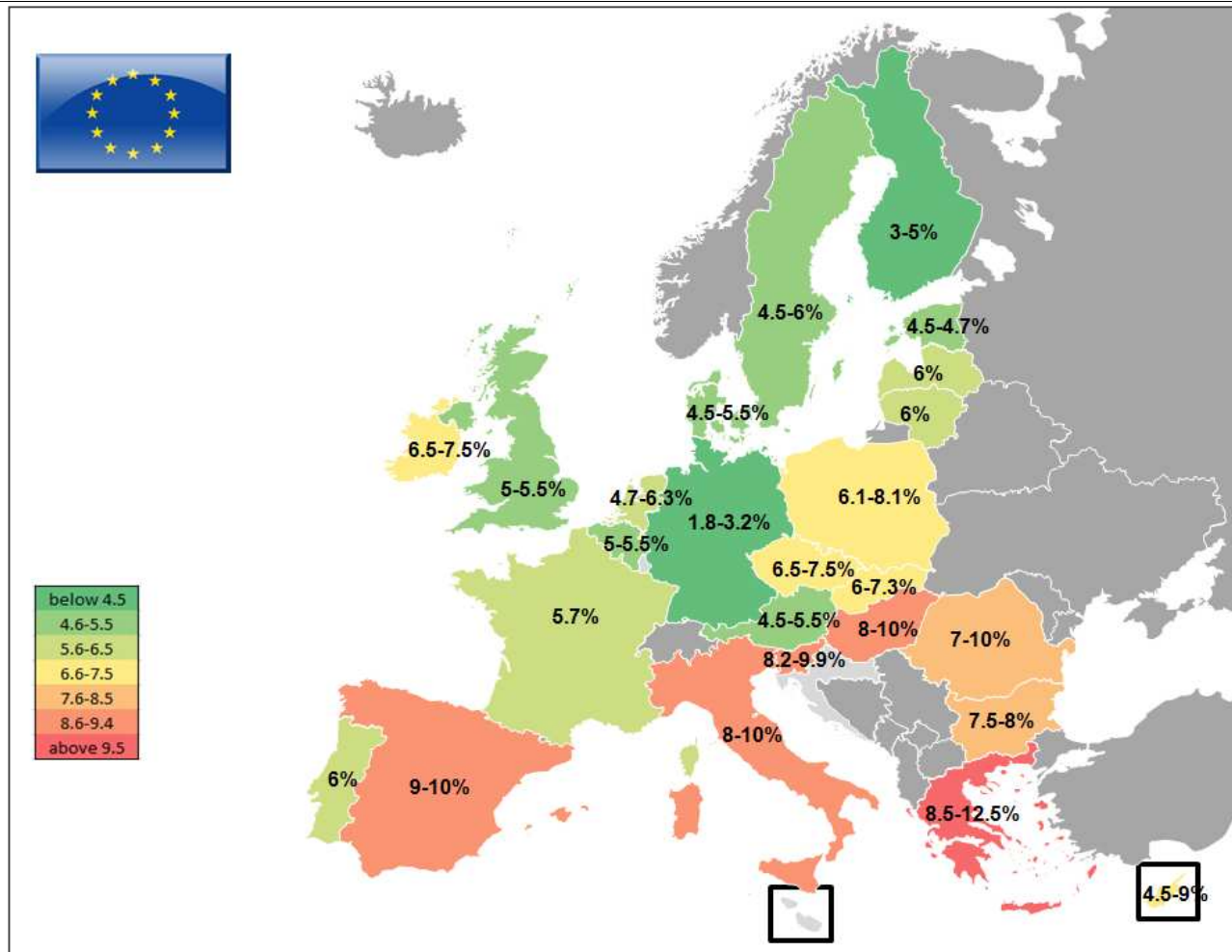
Impact of costs of capital on RES costs in a system dynamic approach



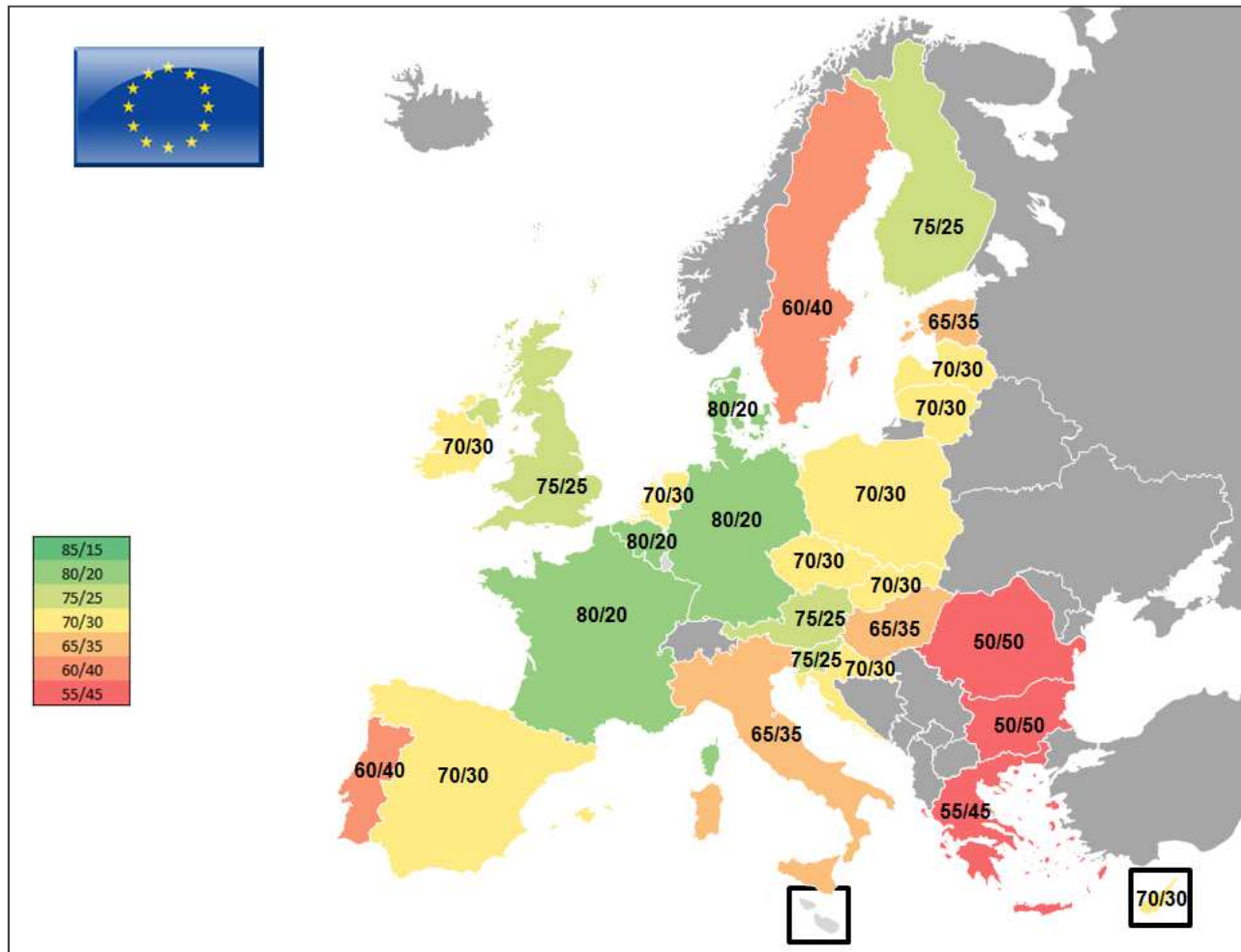
Cost of Equity (approximation based on interviews for onshore wind)



Cost of Debt (approximation based on interviews for onshore wind)



Debt/ Equity Ratios (approximation based on interviews for onshore wind)

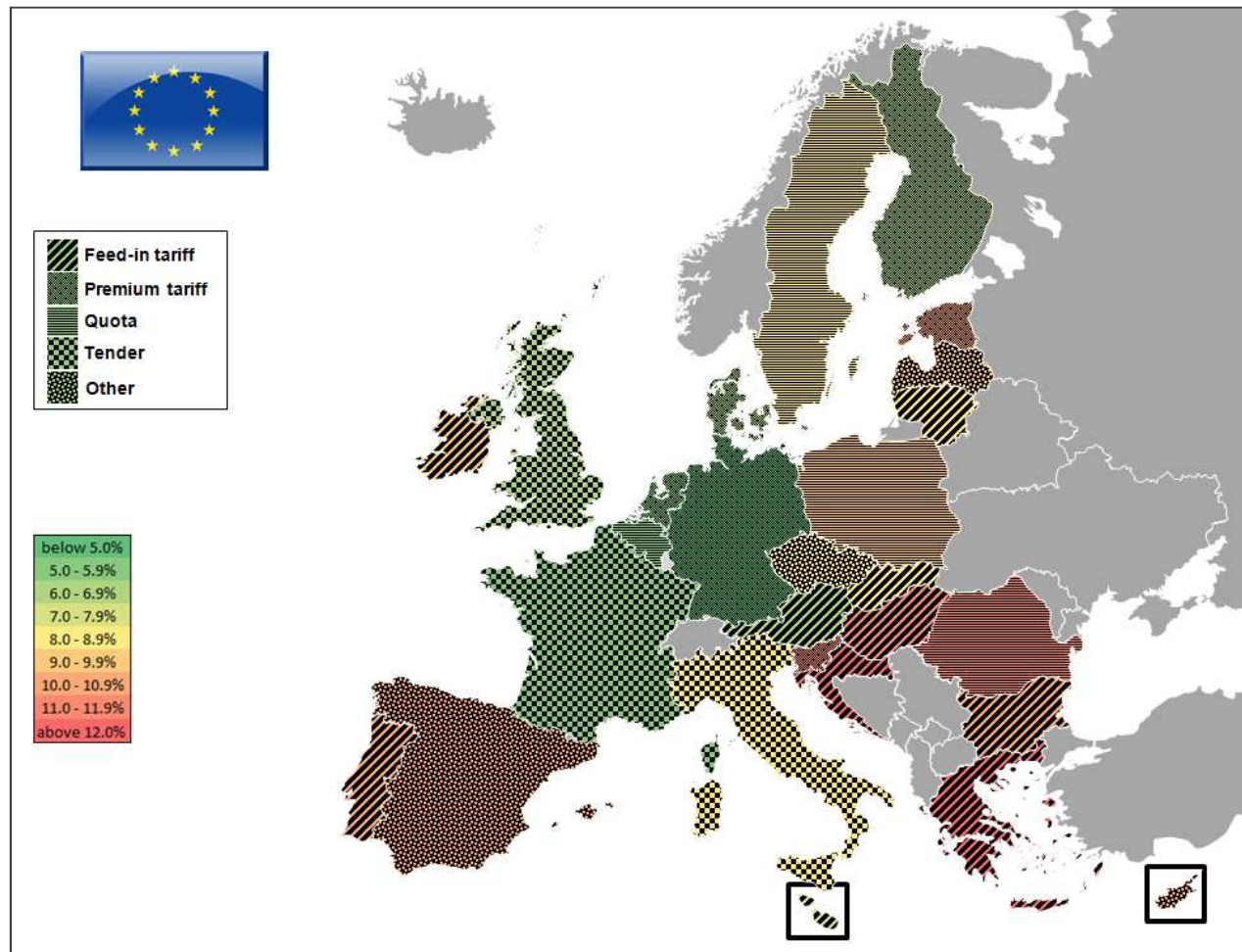


Conclusions

Conclusions

- Huge variation in costs of capital for wind onshore projects in EU Member States
- High cost of capital lead to increasing wind onshore deployment costs
- Difference is in particular due to difference in cost of debt and cost/equity ratio
- Factors for differing costs of capital are
 - RES specific risk premium
 - Country specific risks
 - Competition between investors

WACC estimations and support schemes for onshore wind



More information:

<http://www.diacore.eu/>

WELCOME TO OUR WEBSITE

We welcome you to the Project "Policy Dialogue on the assessment and convergence of RES policy in EU Member States", started in April 2013 and carried out under the Intelligent Energy – Europe programme.



DIA-CORE intends to ensure a continuous assessment of the existing policy mechanisms and to establish a fruitful stakeholder dialogue on future policy needs for renewable electricity (RES-E), heating & cooling (RES-H), and transport (RES-T). Thus, **DIA-CORE** shall facilitate convergence in RES support across the EU and enhance investments, cooperation and coordination.

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