

## PRESS RELEASE

### **Bankability guarantees success**

COLEXON and goetzpartners present a report on photovoltaic project financing

*Hamburg/Munich, October 5<sup>th</sup>, 2011. Since the financial crisis of 2008/2009, bankability has become a key factor worldwide in financing photovoltaic projects. To enable German companies to clearly distinguish themselves from their international competitors, market players are compelled to be even more stringent in applying the financial criteria for PV projects and actively manage the issue of bankability. Not only must the criteria be met, they must also where necessary be redefined. These are the findings of a current study by COLEXON Energy AG and consultants goetzpartners.*

To identify the criteria on which investors base their investment decisions and the importance attached to bankability, COLEXON Energy AG and goetzpartners have carried out a study entitled “Bankability as a guarantee of successful PV project financing in Germany” in cooperation with the Institute for Economy and the Environment (IWÖ-HSG) at the University of St. Gallen, the Centre for Sustainability Management (CSM) at Leuphana University Lüneburg and the Nordic International Management Institute (NIMI) in China. The authors questioned prominent representatives of all the relevant groups likely to participate in PV projects: Banks, investors, project developers, service providers and module manufacturers.

The study was triggered by developments in the German PV market. In recent years, there has been a positive boom in such projects in Germany, underpinned by stable and advantageous political as well as economic conditions. In fact, since 2004, Germany has accounted for an average of 50 percent of global PV demand. Even the financial crisis and changes in regulatory conditions have not been sufficient to curb this development. “Financial investors continue to have great faith in the German PV industry, given that Germany is the most mature market with the world’s most experienced players, and the volume of installations is substantial,” says Sebastian Olbert, Senior Manager at goetzpartners and co-author of the report.

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On the other hand, the crisis in the financial markets in the years 2008/2009 has meant that lending for PV installations is meanwhile subject to stricter standards. The banks now select the projects that are the most attractive to them and of the highest quality. The criterion by which project financing stands or falls is bankability.

However, the study showed that the experts interviewed have very different perceptions of the significance of bankability, dependent on the group to which they belong. Whereas banks give priority to a stable cash flow, for capital investors bankability is a standard by which to measure the return on their investments or portfolio strategies. For the initiators of PV projects, bankability means a boost to their image and future reputation. "This difference in perceptions clearly illustrates the complexity of bankability as a quality standard. However, if bankability is to be established as a generally applicable criterion, a uniform understanding of what it means is required that unites the differing perspectives of the parties concerned," says Valentin Ade, Finance Manager at COLEXON Energy AG and co-author of the study.

In other words, to facilitate improved access to the necessary capital from banks and investors, PV projects must fulfill the differing expectations of these target groups. Given that for market participants bankability is closely allied with quality, and quality itself is a distinguishing factor, bankability must be actively managed by all parties involved in order to maintain its significance as a threshold for market entry. In the current financial and economic situation, for many players in the market exceeding this threshold is becoming more important and in some cases also more difficult.

In addition to an analysis of market data and project experiences, the study is based on 20 in-depth interviews with experts in Germany and China over a period from September 2010 to January 2011.

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