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Press Release

The booming Spanish market is not yet ready for private rooftop systems

The Spanish photovoltaic market still has a high proportion of large open-space systems, as the high feed-in tariffs of the expired Royal Decree 661/2007 were paid regardless of the location of plants and expensive connection fees made the profitability of private rooftop systems considerably less. However, experts expect that the focus could shift in the coming years. The one-sided market development was discussed at the "Conferencia de la Industria Solar" on October 23 and 24 in Madrid. The recent promotion law Royal Decree 1578/2008 and the likely effects it will have on the installation rates in Spain were further topics. The sector's main point of criticism is the high fixed costs for installations. The costs for grid connection in Spain alone are around 1,000 Euros, regardless of how large the system is. "Installing a system of less than 20 kW does hardly make economic sense in Spain" explains Florian Schmidt, solar expert from the Bonn-based market researcher EuPD Research.

"In addition, the financial structures to build a small-scale system are also lacking" continues Schmidt. "In the last few years, only large, industrial project developers were able to get sufficient financing for projects". The main problem was the lack of investors following the example of the KfW Bank in Germany, offering low interest loans to small investors for solar systems. Small rooftop systems are much too unprofitable for private banks, as the proportion of the project costs is far higher than for a large-scale system. The high fixed costs are incurred e.g. through the creation of technical certificates that are needed to obtain credit. "Market players like associations, industry and the finance sector have to do their best to push the development in the segment of private rooftop plants" said Markus Hoehner, CEO of EuPD Research at the conference in Madrid. He continued: "A return of about 6.5 percent was sufficient for enormous market growth in Germany. House owners should also be made aware of the fact that installing a PV system will improve the value of the property as well as allowing them to make a personal contribution to the fight against climate change".

If the focus of the Spanish PV industry shifts towards rooftop systems, the stimulus will nonetheless be the Royal Decree 1578/2008 from the Ministry for Industry. Under the new law, a volume of 26.7 MW has been "reserved" exclusively for small rooftop systems. But true market growth in the segment of systems of ten kW or less on buildings is expected in 2011 at the earliest. The industry needs to adjust to the new promotion conditions first. Additionally, lower fixed costs and a more developed infrastructure should make smaller systems more economically viable. It will also take some time for the financial market structures for smaller systems to be established.

In the light of the worldwide financial crisis and the reduction of the feed-in tariffs decided in the Royal Decree 1578/2008, the financing flow has almost completely dried up. Foreign credit institutes – which have been available as solvent investors or financiers of PV projects in the past – have drastically pulled back in the last few weeks and are looking for more profitable projects. Now it has been made known that in the next three years the annual market expansion will be capped at 500 MW and the feed-in tariffs strongly reduced, many experts expect the market to drop significantly.

The Ministry for Industry and the national Energy Agency CNE are investigating possible fraudulent cases with Spanish solar parks in the light of the new promotion decree.

Media and television reports discussing cases of possible fraud were also discussed at the conference in Madrid. According to reports from the daily newspapers Público and Expansión, the National Energy Agency CNE and the Ministry for Industry have begun an investigation. The aim is to clarify whether PV plants that were installed under the lucrative old Royal Decree 661/2007 really were completed in time. Expansión states that the investigation was sparked following irregularities in the wind sector, where large differences were discovered between the industry association data and that of the CNE and grid operator Red Eléctrica. Now the PV sector is under scrutiny to discover whether the situation could be the same for the PV sector, according to the paper.

Citations

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