

CleanTech

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Nikolai Dobrott is the founder and managing director of Apricum – The Cleantech Advisory. Apricum is a transaction advisory and strategy consulting firm specialising in renewable energy, in particular solar, wind, energy storage and integrated renewable energy systems. Here he talks to *Finance Monthly* about some of the trends in the growing area of cleantech, as well as the challenges and opportunities for investors.

The cleantech industry has expanded exponentially in the past couple of years – what have been a few of the trends in the past twelve months in the sectors where Apricum is active?

The biggest trend in solar, particularly in PV (photovoltaics), has been the continued cost reductions and increasing competitiveness of the industry with conventionally generated power. These are driven mainly by a combination of increased PV module efficiency, reduced balance of system costs, better financing conditions and improved efficiency of implementation. PV, as well as wind, is competitive with conventional energy generation in many countries. We've seen regularly-announced record low tariffs for solar-generated energy in countries as diverse as Germany, UAE and the USA – as low as 5.85 USD cents/kWh unsubsidized. In general, the solar industry will continue to be dominated by PV, which is more cost-competitive than CSP.

Looking at the wind sector, we've seen a drop in commodity prices, as well as a drop in the costs for wind turbines, resulting in extremely low power prices. In the most competitive wind markets, for example the USA and Brazil, wind projects can deliver electricity below 5 USD cents/kWh without subsidies.

For the energy storage industry, battery technologies really started to take off in the last 12 months and we expect drastic growth in the coming years. This is mainly driven by significantly decreased costs, in particular for Li-ion batteries, an improved regulatory framework in markets such as the USA and an increased demand for the services energy storage can provide – some of the latter driven by a growing share of intermittent renewable energy generation.

Your firm offers individually tailored services to investors and corporations operating in the cleantech industry – what are the common issues that your transaction advisory clients face currently?

Let's take fundraising for example. For solar tech companies, this is still very much a challenge. Many investors got "burned" in the renewables hype some years ago when they channelled a lot of money into start-ups that eventually went broke when the market started to consolidate and mature. That's why many still steer clear of anything with "solar" in its name. Also tech companies in general need more CAPEX and have a longer time-to-market compared to businesses further downstream.

With storage, it's a different picture. There is a sort of hype currently around investing in storage. On many levels, it's comparable to where solar was in 2007/2008 before the global financial crisis. For many companies based in the USA, globalizing their investment base can be beneficial. We support many companies in finding international investors who can help these companies find new, international markets for their products and services.

For successful fundraising, it is not only important to understand the needs of investors from different regions in the world, you also need to know the right investors. For example, many Saudi investors are not so keen to invest in technology start-ups, however with the right network, you can identify the ones that are – such as Riyadh Valley Company, the venture capital investment arm of King Saud University of Saudi Arabia, who acquired a stake in US-based solar tech company Solexel last year.

With storage, it is important to distinguish between investment in storage business models and storage technologies. For example, a technology-agnostic energy storage developer with PPAs in place that guarantee stable cash flows and high yields for 20 years is obviously a lower risk than a technology start-up with still-to-be-proven product performance and uncertain sales projections. However, there can be synergistic opportunities with storage tech companies to be realized for the right strategic investor. A good example here is the investment in Eos last year by OCI that Apricum brokered.

Your firm has representative offices in a number of countries and has advised on a wide variety of international clients – what are the unique challenges of operating on cross-border consulting and transaction projects?

Cross-border transactions are by their very nature quite challenging. In general, there are many factors to consider and obstacles to overcome in order to satisfy the differing requirements of regulatory authorities, banks, governmental and private sector lenders at a local, regional and international level.

Both for corporate transactions such as fundraising, M&A, and JVs as well as for project financing deals, being well connected globally to buyers and sellers is crucial. That is why we have built a network of representatives in 14 countries in the biggest established and emerging renewable energy markets in the world.



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