

Impax Asset Management is aiming to double its funds' private equity participation in the Spanish solar PV market this summer, from a level reached by June that has already made possible EUR 150m (USD 232.6m) of total project investment.

Peter Rossbach, director at London-based Impax, said the company eyes long-term solar investment in Spain as he had reason to believe the generous feed-in tariffs that gave the country the world's largest growth of solar PV installations last year will be maintained at investment quality levels.

"We're staying in Spain for the future," Rossbach told New Energy Finance. "Spain has among the greatest needs for carbon reduction in Europe and also imports a large majority of its overall energy use, so the drivers are very encouraging for renewables."

Impax Asset Management manages Impax New Energy Investors, a EUR 125m private equity fund focussing on projects in renewable energy and sponsored by Paris-based Dexia Credit Locale, which raises funds for sustainable projects. IAM also acts as lead arranger for debt finance for large-scale solar projects, and has investment commitments made in Spain, Italy and Greece.

This week, IAM made investments in two solar PV projects in Spain that carried the renewable deals its has closed past the EUR 150m water mark in terms of total enterprise value – as applied here, the sum of equity capital, interest-bearing debt and preferred stock. That figure is set to double soon, said Rossbach.

Of the EUR 150m enterprise value booked though June, IAM provided all equity, representing up to 15% of total capital, Rossbach said, adding that three new deals this month lifted IAM's own investment in Spanish solar PV projects beyond EUR 25m. IAM plans to disclose further investments shortly.

IAM invested EUR 5.8m in the 10MW Enersol solar project in Toledo in March 2007, EUR 5.0m in Barcelona-based Prestige Renewable Energy's 2.5MW Extremadura project in May 2008 and EUR 12.0m in undisclosed projects in Castilla-La Mancha earlier this month. It was lead equity investor for German turnkey renewables developer Epuron's PV project in El Calaveron, announced Wednesday.

The company also has new equity commitments for an additional 25MW of solar power projects elsewhere in Spain, Rossbach said, adding that the projects will be commissioned in time to benefit from Spain's EUR 0.44/kWh tariff. Almost all of the Impax investments in solar projects entail tracker technology that aims solar panels on two axes directly at the sun to increase power yield.

Rossbach lauded Spain for "the 40-year tariff structure, given the expected 40-year life of the project assets," and its 100% inflation index.

"Spain's current inflation is running over 4.5% and lenders' assumptions are in the 2.5% to 3% range," said Rossbach. "It's almost like a short-term oil proxy, because inflation is driven in part by oil. So the tariff has an oil driver element to it."

He said he was confident in giving IAM a continued presence in the Spanish market despite an anticipated reduction to the feed-in tariff at the end of September because the government has quietly offered "guidance" on tariffs and caps on solar installation that will benefit solar projects.

"Industry and government are in a process together, and the recent news from the government was encouraging," said Rossbach.

"We have also seen a shift of industry advocacy towards larger projects, so investment opportunities are likely to remain attractive after September," he said. "Anything can happen, however, so we are hopeful but not exposing ourselves to tariff risk yet."