

SolarInnovate Energy Solutions

New energy storage financing model



Overview

Discover financing models for smart grid and energy storage, including partnerships, tax incentives, and performance-based contracts. Why do energy storage projects need project financing?

The rapid growth in the energy storage market is similarly driving demand for project financing. The general principles of project finance that apply to the financing of solar and wind projects also apply to energy storage projects.

Can you finance a solar energy storage project?

Since the majority of solar projects currently under construction include a storage system, lenders in the project finance markets are willing to finance the construction and cashflows of an energy storage project. However, there are certain additional considerations in structuring a project finance transaction for an energy storage project.

Should the energy storage industry evaluate policies and financing models?

The next consideration is for the energy storage industry to evaluate the policies and financing models that have allowed the renewable energy industry to expand over the last decade and to replicate what worked well and improve on the identified shortcomings.

Will a tax credit be available for energy storage projects?

However, with the passage of the Inflation Reduction Act of 2022, tax credits are now available for standalone energy storage systems, and thus lenders may be willing to provide bridge capital that is underwritten based on the receipt of proceeds from an anticipated tax equity investment, similar to renewable energy projects.

Do energy storage systems provide value to the grid?

It is now clear that energy storage systems (ESSs) can provide valuable services to the grid. For systems to be deployed, however, the value of the

services that they provide must exceed the costs of the system over its lifetime. This introduces the first challenge surrounding energy storage financing – quantifying the benefits of an ESS.

What is a solar plus storage power purchase agreement (PPA)?

Recently, contracts have been awarded that include both renewable energy and energy storage such as the solar plus storage power purchase agreements (PPA)s executed in Hawaii and Arizona [4,5]. In these innovative contracts the cost of energy, including demand charges, are used as the basis of the PPA price.

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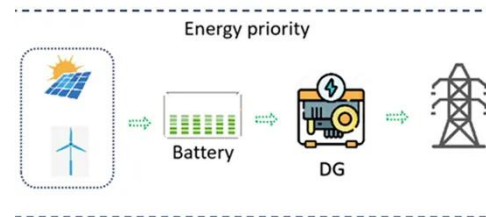


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