

# GE Energy Financial Services

## Financing Solar in Hard Times: An Investor's Perspective

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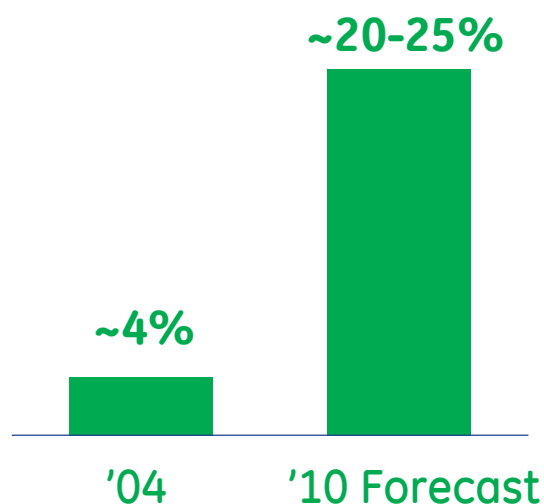


# GE Energy Financial Services' strengths

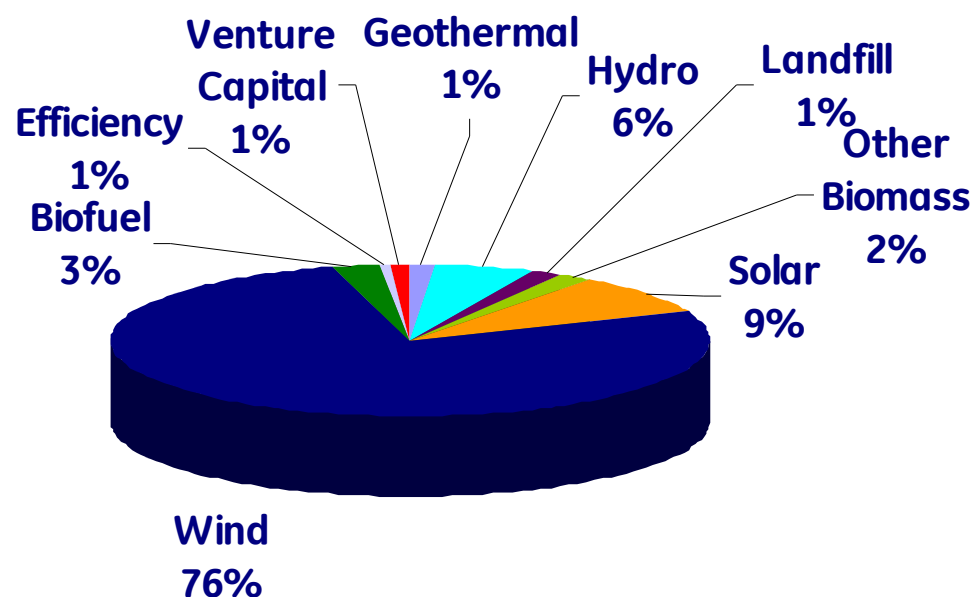


# Accelerated renewable energy investing since 2004

## Renewable assets % of EFS portfolio



## Diverse mix of technologies



**\$4B+ invested since 2004**  
**Goal... \$6B invested by 2010**

# Financial crisis affecting renewable energy tax incentives ...

## Small investor base

- Only ~20 past investors in wind, solar & geothermal projects
- Requires large tax appetite
- Returns favor levered balance sheets
- Illiquidity requires predictable tax appetite
- Passive-loss and at-risk rules exclude all but C-corps
- Non-financial firms lack capability to underwrite

## Financial crisis\*

### Failures

LEHMAN BROTHERS

FORTIS 



### Losses

Morgan Stanley



### Carryover tax losses from acquisitions



Bank of America 

JPMORGAN CHASE & CO.

**With fewer players, less capital and tax base to utilize PTC/ITC, renewable energy financing dries up**

# American Recovery and Reinvestment Act: A Green Stimulus

- ü Modify tax incentives to expand pool of potential investors in renewables
- ü Loan guarantees for commercial technology
- ü 30% tax credit for manufacturing
- ü Billions for energy efficiency, transmission and smart grid



# What does the stimulus mean for project finance?

Developers still want investors who can use the depreciation benefits

New investors attracted by higher returns, lower risks

Less “tax equity”, more sponsor equity, debt and leases

Solar, wind, etc. compete for capital; who wins?

New transmission will eventually tap remote resources

Effectiveness of loan guarantees TBD

# What does the stimulus mean for venture capital?

Creates demand for new technology ... but few start-up companies are ready to take advantage

Other fundamentals remain weak, but for how long?

- > Decline in conventional energy prices
- > Oversupply of materials, equipment and services
- > Difficult for customers to finance purchases
- > Uncertain ability to raise capital in the future

Large projects & manufacturing plants still challenging

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