

BENEFITS OF A SOLAR PANEL OPERATING LEASE PACKAGE



Key Benefits:

- **Savings:** Significantly reduce electricity bills for Zero Capex.
- **Revenue:** Benefit from the Feed in Tariffs (FITs), a government incentive scheme.
- **Instant Payback:** Leasing enables a project to be cash flow positive.
- **Tax Efficient:** Lease payments come off the bottom line and not treated as an asset investment.
- **Maintenance:** The rental scheme covers all maintenance, monitoring and kit replacement.

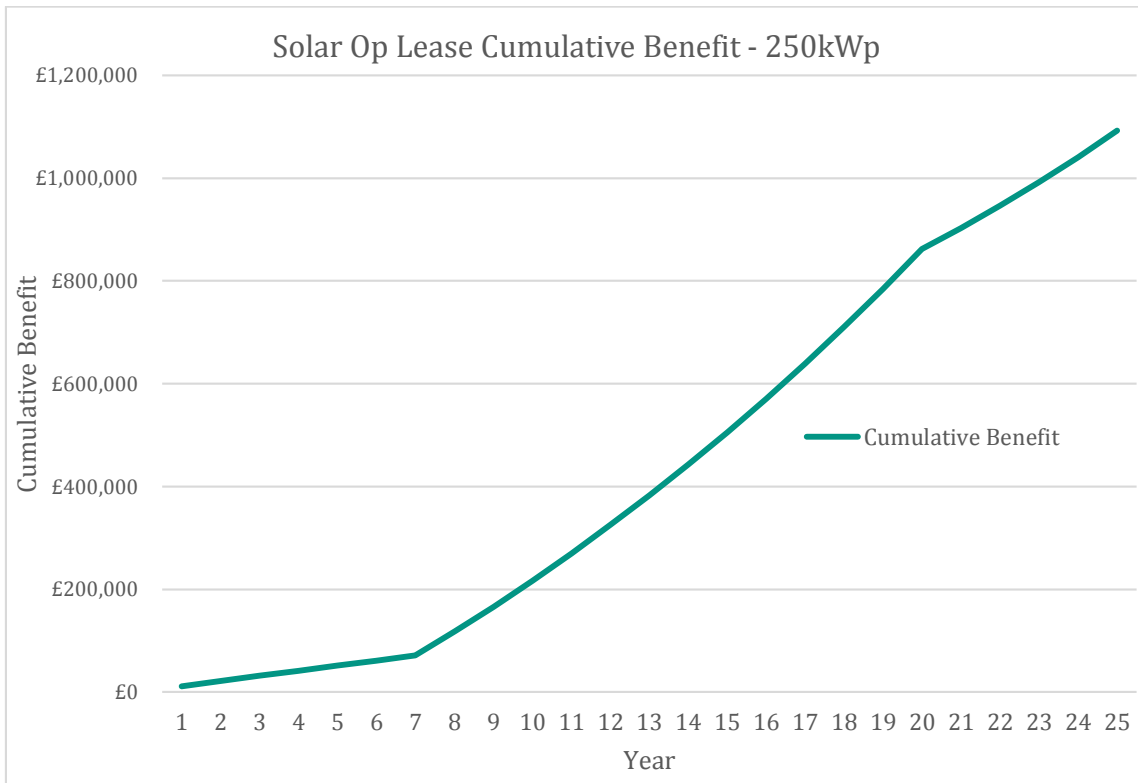
How does a Solar Operating Lease work?

The structure of the Solar Op Lease Package is simple, a funder will pay for the installation and maintenance of the Solar Array. In return they will lease the use of the panels to the connected property. This allows the cost and maintenance of the installation to be spread over 25 years through pre agreed fixed lease payments so that the leaser can instantly benefit from the installation. **PLEASE NOTE: A business can exit the scheme at any stage.**

The lease rates are dictated by the value of the installation and the financial stability of the firm making the lease payments. The scheme doesn't impact future borrowings as it is unsecured and off book. The Solar Operating Lease scheme covers all maintenance and replacements which removes any replacement risk or running costs. The table below provides an example of what the position can look like at various stages of the scheme for a 250kWp solar array (*estimated rates for a small business):

Yr.	Electricity Savings	FIT Income	Total Benefit	1st stage Lease Payments*	2nd Stage Lease Payments*	Gross Profit	Solar Op Lease Cumulative Benefit
1	£23,425	£24,709	£48,133	£37,179	£0	£10,954	£10,954
10	£36,340	£30,858	£67,197	£0	£16,465	£50,732	£217,068
15	£46,380	£34,913	£81,292	£0	£18,629	£62,663	£505,448
20	£59,193	£39,500	£98,694	£0	£21,077	£77,617	£862,269
25	£75,547	£0	£75,547	£0	£23,847	£51,700	£1,092,145

Solar Op Lease Scheme – Cumulative Benefit over 25 years:



**Assumes 2.5% RPI and 5% energy price inflation, yield from the SE.*

The graph above shows the cumulative benefit of a Solar Op Lease scheme for a 250kWp solar array on a property currently paying 9p/kWh. This graph shows how the scheme remains cash flow positive from year 1 and how a business can benefit in the short and long term.



Summary of Benefits:

- **CASHFLOW POSITIVE** – Lease payments can be structured such that they are less than the benefit of the Solar Array at all times.
- **ZERO CAPITAL OUTLAY** – The solar panels will be installed and funded by a third party. The fund gets their return through the fixed lease payments only.
- **GUARENTEED PERFORMANCE** – The package includes a 10yr 90% yield guarantee. Therefore if yields are less than 90% of the predicated figures a claim can be made to make up the difference. Panels also come with a 25yr Performance Warranty.
- **TAX EFFICIENT** – All lease payments come off the bottom line which carries greater tax benefits than purchasing an asset.
- **OFF BALANCE SHEET** – With the leaser not owning the solar panels, the panels can remain off the Balance Sheet improving the accounting position of the business.
- **WON'T IMPACT FUTURE BORROWINGS** – Borrowing and assets are considered off book and unsecured.
- **FLEXIBLE EXIT STRATEGY** – Unlike a PPA, exit is flexible and simple. For a business that is unsure what its position will be in the future, a clear exit strategy is valuable. Exit costs for each year can be pre agreed before entering into the scheme. The exit cost will always be far less than either the future income value or the cumulative profits to date.
- **INCLUDES MONITORING & MAINTAINANCE** – Throughout the rental period the system is fully monitored and maintained free of charge. Any cost implications with replacing equipment is with the fund/owner.
- **KINGSPAN & EUROCLAD CERTIFIED** – This means that any warranties on your roof held by these parties will be unaffected by the Solar Panel installation.

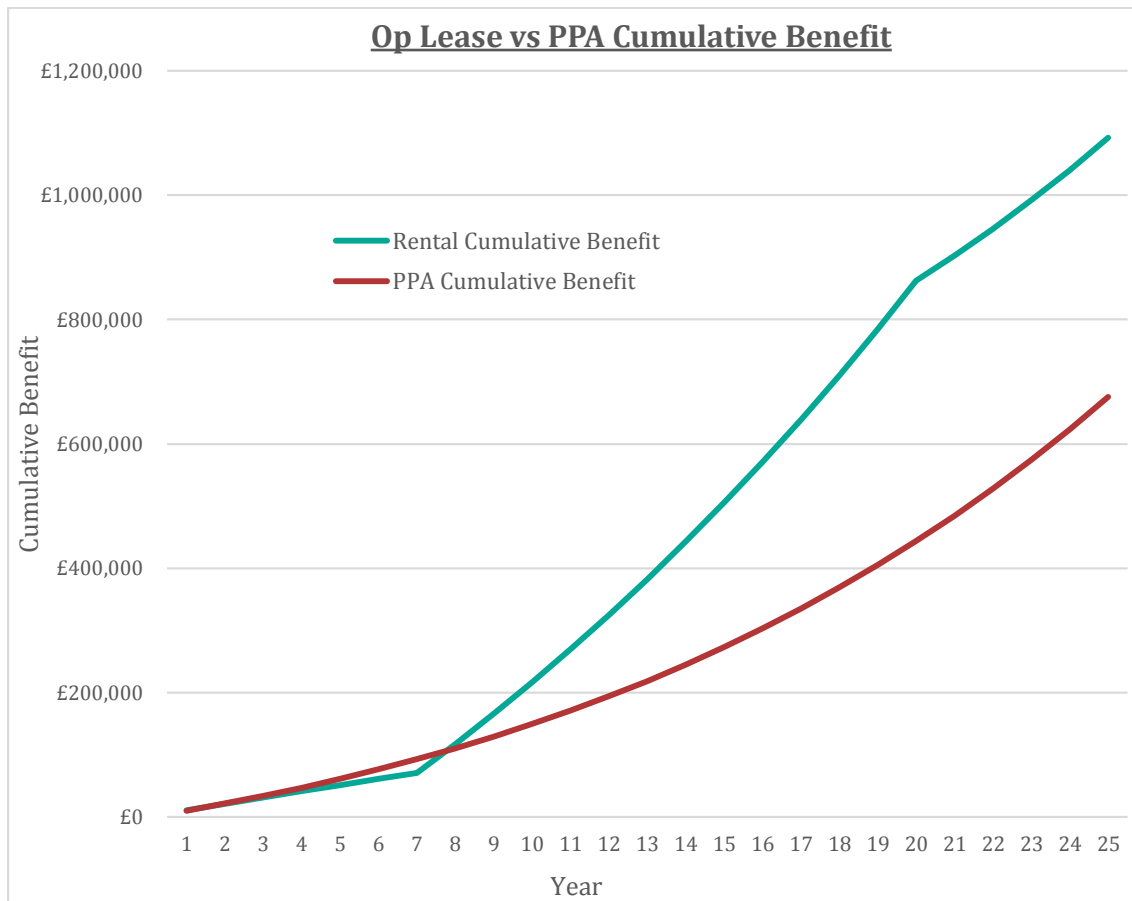


Solar Op Lease vs Power Purchase Agreement (PPA)

The only other approach to installing Solar Panels for zero capital outlay is with a PPA (which we can offer if preferred). A PPA involves entering a 20-25 year agreement to purchase electricity at a pre agreed price, some as low as 5p/kWh.

However the catch here is that the exit costs can be extremely prohibitive and the funder installing the panels takes all of the lucrative FIT payments.

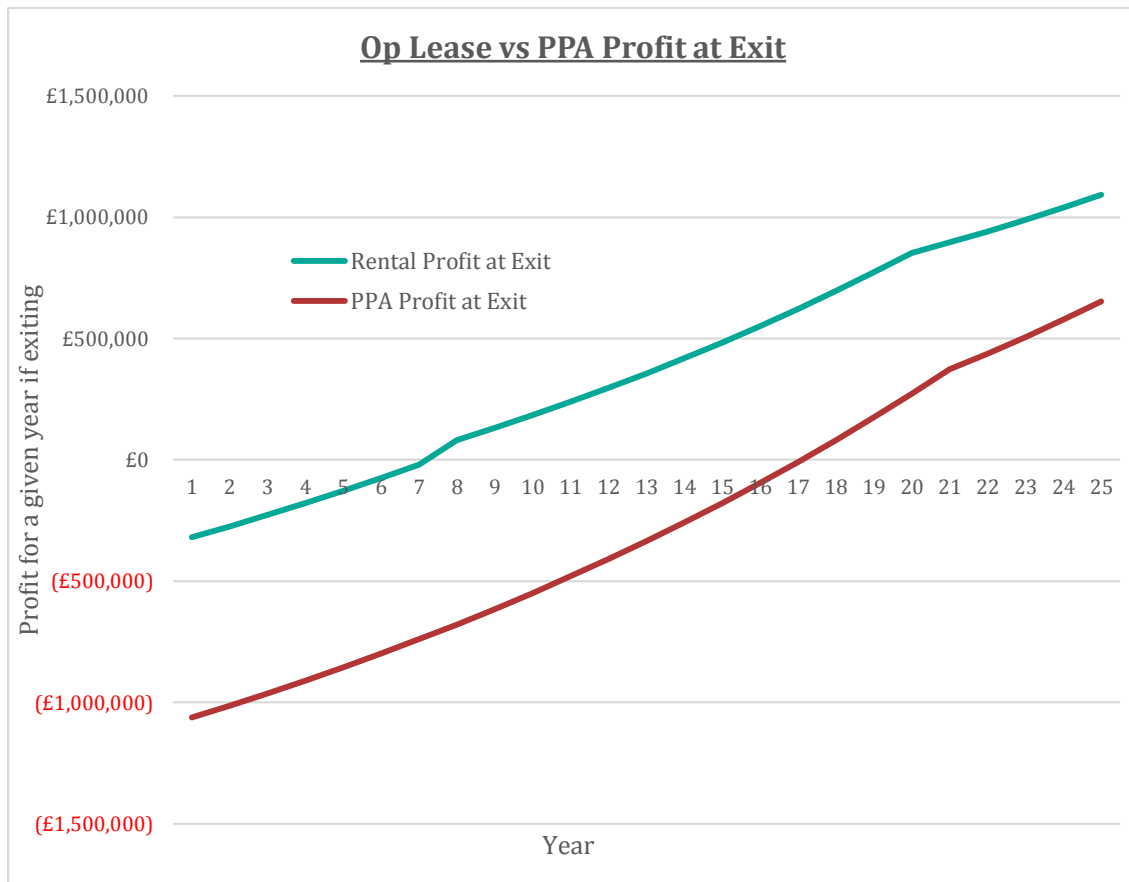
The table below shows how the cumulative benefit of a 250kW system under a Solar Op Lease and PPA (5p/kWh) compare. All variables are the same other than the specific differences between a Solar Op Lease and PPA:



The below graph compares the profit if a business decides to exit an Op Lease or PPA (5p/kWh) in a given year. This assumes that there is no sell on value of the system. In practice there is significant value in the future earnings of the solar system. We can demonstrate this if requested.

The reason for the dramatic difference comes down to a PPA holding the power purchaser to pay for any loss of revenue in the event of an exit. Whereas the Solar Op Lease only requires for the cost of the installation (stage 1 Lease Payment) to be repaid plus any incurred maintenance costs, there are no loss of revenues to compensate for.

The table below compares the exit profits for each year. The purpose of this is to show how inflexible a PPA can be vs an Op Lease.



How do Solar Panels work?

Solar Panels were invented over 50 years ago and the efficiency and cost effectiveness has been hugely improved over the last 10 years thanks to government incentives.

A solar panel has no moving parts which means the lifespan of a solar panel is greater than 25 years (warranties of 25 years available). When a solar panel is exposed to sunlight the panel produces direct current, in order to convert this into alternating current an inverter is required. Inverters are IP65 certified meaning they can be installed indoors or out.

As the Solar Rental scheme covers all maintenance and replacements, the business doesn't need to worry about any technology risk.

About Smeaton Wood Energy Ltd

Smeaton Wood Energy Ltd is run by personnel with over 4 years' experience in the International Renewables Market. We strive to utilise this experience and our connections to deliver highly competitive and bespoke packages for our clients.

We have experience in delivering Solar Panels from 14MW Solar Farms covering almost 85 acres to small domestic systems.

We are working with some of the UK's largest firms to deliver bespoke Solar Panel schemes where simple cash investments have not hit hurdle returns for board approval.

Further to this, we also specialise in Biomass Boilers for heat generation, so please mention if these are also of interest. Paybacks of between 3-5 years are possible.



Case Study – Greggs Bakeries



1.28MW across 10 Sites

Greggs Bakeries wanted to reduce their dependence on grid supplied electricity and decrease their CO2 emissions.

Greggs weren't happy with the typical paybacks of investing in Solar Panels (5 years) and so wanted to go down the Zero Capital Outlay route. After comparing options Greggs opted for the Solar Rental scheme to rollout Solar across 10 of its factory facilities totaling 1.28MW in capacity.

SYSTEM SIZE

1.28MW

NUMBER OF PANELS INSTALLED

5,120

EXPECTED ANNUAL CO2 SAVINGS

600 tonnes

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