Renewable energy financing options

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Commercial property-assessed clean energy (CPACE) is a financing structure ...

However, the market is very large, in part because leases are commonly used to ...

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There are a variety of financing options and strategies that organizations can pursue to facilitate their renewable energy project''s deployment. It is necessary to understand and evaluate the different financing structures that are available to determine the most appropriate strategy.

Third-party financing is a well-established financing solution in the United States, having emerged in the solar industry as one of the most popular methods of solar financing. Third-party solar financing predominantly occurs in two forms: solar leases and power purchase agreements (PPAs). In the lease model, a customer signs a contract with an installer/developer and pays for the use of a solar system over a specified period of time, rather than paying for the power generated. In the PPA model, the solar energy system offsets the customer''s electric utility bill, and the developer sells the power generated to the customer at a fixed rate, typically lower than the local utility.

Below are resources to help you understand third-party ownership financing structures as a means to facilitate your solar project development.

A renewable energy certificate (REC) is a tradeable, market-based instrument that represents the legal property rights to the "renewable-ness"--or all non-power attributes--of renewable electricity generation. A REC can be sold separately from the actual electricity (kilowatt-hour, or kWh). The REC owner has exclusive rights to make claims about "using" or "being powered with" the renewable electricity associated with that REC. A REC is issued for every megawatt-hour (MWh) of electricity generated and delivered to the electric grid from a renewable energy resource.

If you own the RECs associated with your renewable energy project''s electricity output, you can sell these RECs to another party. In doing so, you forfeit the ability to make any claims about "using" renewable energy, but generate a new revenue stream. The revenue is a function of the system''s kWh output and the market price of RECs.

Organizations engaged in a PPA may choose to sell the RECs associated with the on-site solar PV system and in their place buy RECs sourced from other geographically eligible green power resources in order to make environmental claims. This process is referred to as REC arbitrage (pdf) and allows the site host to capture the financial benefits of solar RECs while also making environmental claims and meeting the Green Power Partnership"s requirements.

Below are resources to help you understand REC monetization strategies and how RECs may impact the financing and economics of your project development.

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