



So you have questions about...

Financing Mechanisms

Resources & Technical Assistance

Third in a series of Policy Basics





Financial incentives, such as tax credits and rebates, are one option for market support, but, more recently, state and local governments have expanded their approach to also include opening markets and encouraging growth through allowing and/or supporting private financing mechanisms.

Financing mechanisms are dependent on the ownership structure of individual projects, and new and innovative mechanisms continue to be developed alongside traditional financing. For instance, government entities and municipal utilities may be able to access municipal bond markets to secure funding. Some community banks also offer “green loans” directly to residential and commercial customers. Third-party owned (TPO) structures offer a vast array of financing mechanisms, including power purchase agreements (PPA), sale-leaseback structures, and utility pre-pay. TPO systems are allowed in 22 states, while six states disallow them and the remaining 22 states have an unclear policy. Enabling TPO structures helps eliminate the up-front cost barrier faced by many consumers and is one method of increasing access to solar.

Background Documentation

“Federal and State Structures to Support Financing Utility Scale Solar Projects and the Business Models Designed to Utilize Them.” (NREL 2012). *Includes an overview of financing structures available for large-scale projects, including lease structures, partnership flip, and utility prepay models.*

<http://www.nrel.gov/docs/fy12osti/48685.pdf>

“Distributed Renewable Energy Finance and Policy Toolkit.” Clean Energy States Alliance. *Provides an overview of leading public financing tools and mechanisms, such as grants, rebates, and feed-in tariffs.* <http://www.cesa.org/assets/Uploads/CESA-renewableenergy-FinancePolicy-toolkit2009.pdf>

“Reduce Risk, Increase Clean Energy.” Clean Energy Group. *Presents several case studies on financing structures used by states and cities for renewable energy projects.* <http://www.cleanenergygroup.org/assets/Uploads/CEBFI-Reduce-Risk-Increase-Clean-Energy-Report-August2013.pdf>

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Resources

Database of State Incentives for Renewable Energy (DSIRE). *A comprehensive source of information on incentives and policies that support renewables and energy efficiency in the United States.* <http://www.dsireusa.org>

Technical Assistance

NREL’s Solar Technical Assistance Team (STAT) is a team of solar technology and deployment experts who ensure that the best information on policies, regulations, financing and other issues is getting into the hands of state government decision makers at the time they need it. For more information please visit: http://www.nrel.gov/tech_deployment/stat.html.

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