



## ***Innovative Investment Options in Renewable Energy***

Renewable energy inspires people for many reasons; in light of recent power grid failures, the possibility of “distributed” energy sources, desire for energy independence and security, concern for the environment, or simply to reduce their energy bills. There are different ways to participate; install a system for your home or business, buy green tags, make a donation, or (the subject of this paper) through investment.

The *Renewable Energy Investment Forum* (REIF) raises the bar for the renewable energy industry and provides individual investors with the knowledge, investment partners and opportunities to succeed in this growing industry. REIF delivers the ability to gain unrestricted access to projects and venture-grade deal flow, share knowledge, advertise co-investment opportunities, and build collaboration with other, like-minded investors.

Participating in renewables as an investor is powerful and influential because it is capital allocation that ultimately drives any industry, influencing policy and economies of scale, drawing still further investment. The challenge is to match the investor risk profile to the investment opportunity.

### **RENEWABLE ENERGY INVESTMENT OPPORTUNITIES**

Investment opportunities range from (a) Minimal risk investment in projects that generate power using proven renewable energy technology for clearly-defined, committed customers, to (b) Moderate risk investment in companies commercializing innovative, niche market solutions with clear advantages over current methods, but with yet unproven sales potential, to (c) Higher risk, speculative investments in unproven, “disruptive” technologies, often for undeveloped markets.

Examples: (a) A university seeks funding for a standard photovoltaic system installation to generate 20% of its total power. (b) A manufacturer seeks funding for a new type of PV panel that is integral to the rooftop, made from lighter materials, more efficient, but also more costly. (c) A manufacturer seeking funding for a parabolic concentrator solar system touted to generate 1MW at 20% of the current cost of solar but requiring a dedicated mounting structure.

When class (c) ventures succeed, they create a disruptive technology to leapfrog the industry forward. Most don’t make it, however, and often the time horizons are so long that only the largest institutional investors can afford to invest such “patient money” and absorb any losses.

Sustained industry growth is fueled primarily when class (a) ventures or on-the-ground projects are funded and implemented. Without them, the technological innovation has nowhere to incubate.

With most of the money going toward the next holy grail of innovation, the industry struggles forward with uncertainty, thrashing to get sufficient concentration of funding, unable to build sufficient scale to support rapid expansion or offer reliable returns for smaller investors.

### **RENEWABLE ENERGY INVESTORS**

Investors can be categorized by their level of risk tolerance, time horizon, investment size and return requirements. These characteristics often determine how they access investment opportunities.

Traditionally, venture capitalists, investment banks, fund managers and high net worth individuals familiar with the industry are drawn to the riskier end of the spectrum (b and c above.) They access opportunities through personal networks or formal investment forums aimed at matching entrepreneurs to sources of capital.

There are two other classes of investors with profiles suitable for funding (a) and (b) class investments, but they have limited access to opportunities. Both these classes of investor seek more secure, credit worthy investments and expect the more traditional and reliable returns associated with these investments. Just as important, they seek the added benefit of knowing their investment reflects their passion and expresses their desire to see renewable energy thrive. These two classes are:

- Small, individual investors, – able to invest up to \$10,000 or more per venture
- High net worth individuals, willing and able to invest more, but who are unfamiliar with the industry, with investment vehicles or with how to structure deals to sustain growth and optimize returns.

Together, they represent a powerful pool of untapped capital and political influence. But they are fragmented and frustrated by the limited options, inefficiencies, and scarce partnering opportunities associated with investing in this industry. As individuals, they have neither the time nor resources to gain the facts, let alone wade through masses of misinformation in search of worthwhile investments. What is needed is a vehicle for these investors to participate in the class (a) and (b) investment opportunities.

### **INTRODUCING THE RENEWABLE ENERGY INVESTORS FORUM**

The idea behind the Renewable Energy Investors Forum (REIF) is simple. Bring together these previously disenfranchised investors and provide them with the vehicles and the knowledge to invest in real projects and companies for real returns. REIF seeks to enable investors to make direct investment and make time-efficient use of an appropriate array of investment entities to limit costs and risks and, of course, to maximize returns. This includes sharing resources and knowledge, joint funding and collaboration.

Where can investors go today to invest in renewable energy in the sectors that need it most? What are the existing investment vehicles, tax credits and incentives? What are the best structures for investing? How can investors mitigate risk? What are the tax implications? What institutions make good investment partners? How to evaluate risk and returns in renewables?

Since the answer to each of these questions depends to some degree on the investors the design of the forum is to bring investors together to discover the answers to these questions. Through an ongoing interaction, through face-to-face focus groups, web resources and facilitated conference calls and

investment review sessions, the forum will build a library of tools, investment examples and methods to aid investment. Most importantly it will build a community of like minded investors who able to exercise their collective financial leverage to move the industry forward and generate financial return.

### **PARTICIPATING IN REIF**

REIF is an opportunity to develop your own strategy for building a portfolio of renewable energy investments within a community of like-minded investors. This is an environment where you get to share your knowledge and learn from others. A place where you can influence the choice of investments that get presented to you rather than being pitched with unsolicited or inappropriate investment opportunities. Participation requires only a fraction of the time you probably already spend on private research. You will thus have a hand in creating REIF, and in the process, discover the real opportunities for yourself.

Below are frequently asked questions about REIF; to find out more, visit [www.renewablesinvestorforum.com](http://www.renewablesinvestorforum.com) or send email to [info@renewablesinvestors.com](mailto:info@renewablesinvestors.com)

### **Why not use an existing vehicle for Renewable Energy Investing?**

Below are a set of existing vehicles for renewable energy investing in all sectors. In looking at this list, consider which ones might make sense for you, personally, to participate. Do you have sufficient capital, and are your risk profiles matched to the vehicle? Are the time horizons suitable, reliable, or too long? Do you have the administrative capabilities and time to invest in this way? Can you source or locate qualified renewable energy opportunities using this vehicle? Do you trust the offer?

Possible vehicles include:

- Join a VC or private equity firm as a limited partner
- Join a socially responsible renewable energy fund
- Attend a business plan presentation and networking event
- Sign up with a broker to screen deals
- Rely on a financial planner or investment banker for leads

Are there any additional vehicles you have considered or that have proven successful for you?

### **What are the Possible Structures for Private Investment?**

- Equity
- Debt
- Convertible Debt
- Lease
- Warrants
- Equity or debt syndications
- Combinations of the above

### **Who are potential investment partners?**

- Other individual investors
- Banks
- Mutual funds
- Venture capitalists
- Financial advisors

- Investment Banks
- Municipal Utilities

**What are the Investment Risk Profiles and Expected Returns?**

REIF works to create structures that mitigate risks – such as investing in revenue-generating projects based on proven “recombinant technology” (hardware available today that can be put to new uses), rather than companies with pure technology innovation or service plays.

The probability of success when using proven “off the shelf” hardware for known customers is higher than most investments, and the return is certainly higher than traditional debt finance or leaving the money in the bank.

Actual returns depend on many factors, including the risk profiles, and the assumptions used to forecast a project’s fiscal performance, such as the anticipated cost of power delivered to end customers.

**Additional questions initial REIF sessions are designed to answer:**

- ✓ How and where do we find other, qualified and interested investors?
- ✓ How will creditworthiness (project) and accreditation (investor) be established?
- ✓ Is this a philanthropic or “socially responsible” investment – how will it be viewed by others?
- ✓ What is the total available capital by industry or segment?
- ✓ How will deals be structured so that it is efficient, effective and not vulnerable to manipulation?
- ✓ Where along the spectrum ... from secure project to speculative technology ... do investors wish to participate?

New technology companies	Companies addressing new, unproven markets	Projects using established technologies in unproven markets	Projects using proven technologies in proven markets	Hybrid combinations
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**CONCLUSION AND CALL TO ACTION**

The ideal investment vehicles may not yet exist; there is no “one size fits all” solution; however, we can help create it together, in collaboration. What would this require? Your investment would be a modest amount of your time, lending some of your expertise, to further the patterns of success in renewable energy investing, and thereby inspiring others to do the same while moving the industry forward.

To find out more, go to [www.renewablesinvestorforum.com](http://www.renewablesinvestorforum.com) or call 888-222-4733