The investment case for photovoltaics continues to be strong

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Throughout the world, the expansion of renewable energies continues to gather pace, a trend that is driven by a significant increase in energy demand and increasing shortage of fossil fuels. The International Energy Agency, for example, expects the majority of global oil reserves to be depleted by 2035. The fact that future energy supplies cannot be met without regenerative energy sources has led many countries to rethink their energy politics and shift towards renewable energies. The comparatively low global capacity of photovoltaics signals enormous expansion potential. In 2011 alone, global installed capacity increased from 40 to 70 gigawatt according to the Global Status Report Renewables 2012. Germany is a global leader in the photovoltaic segment and, according to the above report, accounts for 35.6% of new operating capacity.

Investments in renewable energies in the first quarter of 2013, however, were at their weakest point for the past four years. According to Bloomberg New Energy Finance, aggregate figures were down by 22% to USD 40.6 billion compared to the previous year, with investments in the photovoltaic segment revealing an especially drastic decline. Bloomberg largely attributes this to political uncertainty in key markets such as Germany as demonstrated by, among other things, the cutbacks in the feed-in tariffs. In general, though, the investment case for renewable energies continues to exist. According to Bloomberg, some USD 7,000 billion will flow into the expansion of renewable energies between 2010 and 2030 worldwide – half of this in photovoltaics alone.

Is it still worthwhile investing in photovoltaics? Our answer is an unequivocal yes - because the essential advantage that solar investments offer has not changed. Compared with other investment vehicles, photovoltaics still offer the potential of high returns with moderate risks. With a volatility of less than 4% per year, the risk of investments in photovoltaics is comparable to that of fixed income. This low volatility is largely due to the fact that sunlight, as an energy source, is relatively constant, can be forecasted reliably and is backed by efficient technology. As a result, solar power plants require little maintenance and unforeseen costs are largely avoided.

Photovoltaics therefore can deliver stable long-term returns for investors. To achieve this goal, however, it is vital that a number of key investment criteria are fulfilled. First, the location must be safe from a legal and regulatory perspective. The second key criteria is the intensity of the sunlight: the higher a location's sunlight intensity, the more suitable it is to profitably exploit the potential offered by photovoltaics. High sunlight intensity and reduced system costs have enabled many countries throughout the world to achieve grid parity and to substitute power generated from fossil fuel with solar energy. But locations with less intensive sunlight can also be interesting. Factors which argued for Germany in the past and which are equally relevant today are the high legal and regulatory security that the country benefits from as well as the country’s overall good grid structure for power generated through photovoltaics.

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