

Australian solar EPCs face survival of the fittest

In its latest report on the Australian utility solar construction sector, SERA concludes **some players are likely to exit the EPC market despite a surge in projects** entering the pipeline.

The Australian utility scale solar market has gained momentum and real growth potential: SERA tracks 12.7 gigawatts (GW ac) of solar photovoltaic projects of 10 MW ac or greater, up from just a handful a few years ago. Some 311 MW is currently operating, with 1 GW under construction and a further 6 GW in advanced design stages.

Ben Willacy, SERA Director said " We estimate 80% of future project capacity is yet to secure an EPC partner. The scale of the opportunity for engineering, procurement and construction (EPC) companies in the Australian solar sector is huge: we estimate existing uncommitted projects to be worth over A\$14.7 billion to EPC providers."

In SERA's detailed analysis of EPC players and their project portfolios, they show five companies (Downer, RCR Tomlinson, Elecnor, Bouygues and UGL) account for 95% of today's publicly announced EPC contract volumes. The key incumbents are a mix of established domestic engineering firms, and new-entrant European renewable construction companies. "Competition will intensify in the near term as new players enter the market, sub-contractors step up as full EPC providers, and margins are squeezed to gain market share. **But at these returns, the market will enter a 'survival of the fittest' phase**" says Willacy.

SERA estimates EPC contract for projects currently under construction average around A\$1.6/watt ac. But a **number of upward cost drivers could reverse recent cost improvements.**

Willacy concludes "Ongoing pressures for lower PPAs and cheaper solar combined with upward pressure on costs are squeezing EPC margins. Trends driving future EPC prices up include panel prices, labour costs and grid connection. Delivering projects at today's prices is proving a challenge. **Contractors will be taking a hard look at the current crop of projects to identify opportunities for productivity gains.**"

Sustainable Energy Research Analytics

Sydney based Sustainable Energy Research Analytics (SERA) is a dedicated provider of research and analytics on Asia Pacific's utility solar, wind and storage operations and projects, helping clients make faster data driven decisions. www.seranalytics.com @SERAnalytics

Contact information

Ben Willacy Ben@seranalytics.com 0403971760

Gero Farruggio Gero@seranalytics.com 0408673951

Media@seranalytics.com +61 2 8067 8468