

# BENEFITS OF A SOLAR RENTAL SCHEME



## Key Benefits:

- **Savings:** Significantly reduce electricity bills for zero Capex.
- **Revenue:** Benefit from the Feed in Tariffs (FITs), a government incentive scheme.
- **Instant Payback:** Renting means cash flow positive from the outset.
- **Tax Efficient:** Rental payments come off the bottom line and not treated as an asset investment.
- **Maintenance:** The rental scheme covers all maintenance and monitoring.

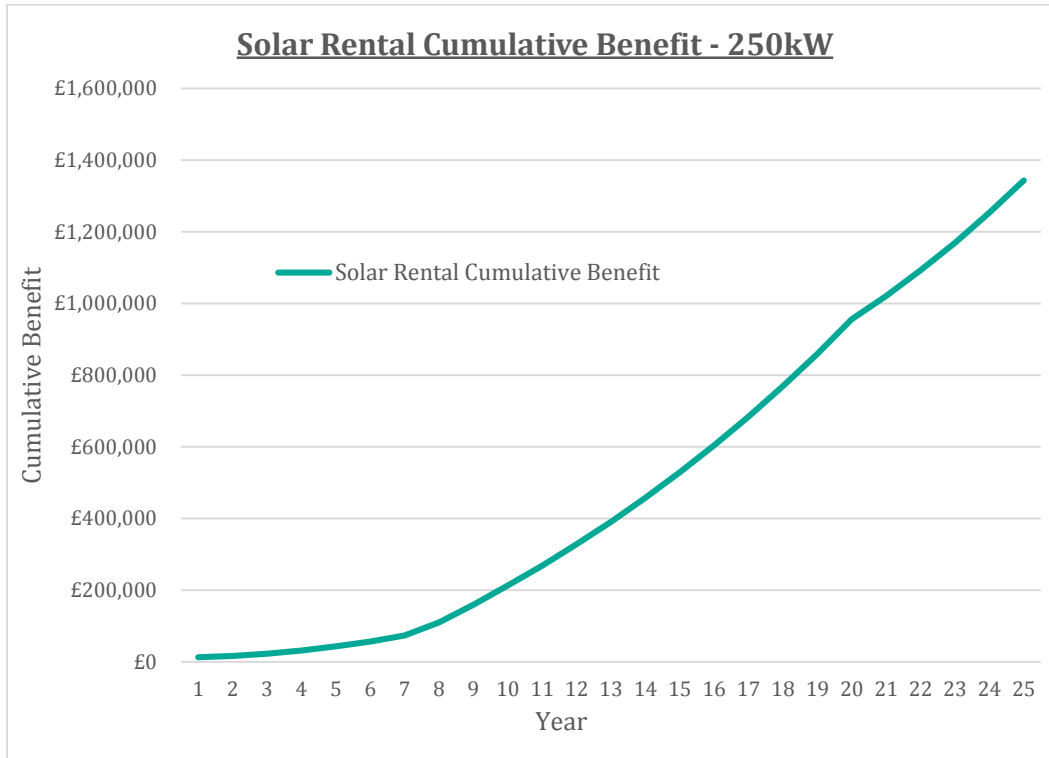
## How does a Solar Rental work?

The structure of the Solar Rental scheme is simple, a funder will pay for the installation and maintenance of the Solar Array. In return they will rent the use of the panels to the connected property. This allows the cost and maintenance of the installation to be spread over 25 years through pre agreed fixed rental payments so that the leaser can instantly benefit from the installation.

The rental rates are dictated by the value of the installation and the financial stability of the firm making the rental payments. However, the scheme doesn't impact future borrowings as it is unsecured and off book. The Solar Rental scheme covers all maintenance and replacements meaning the business doesn't need to worry about any technology risk or running costs. The table below provides an example of what the position can look like at various stages of the scheme for a 250kWp solar array:

Yr.	Electricity Savings	FIT Income	Total Benefit	1st stage Rental Payment	2nd Stage Rental Payment	Gross Profit	Solar Rental Cumulative Benefit
1	£22,481	£22,233	£44,714	£32,100	£0	£12,614	£12,614
10	£41,330	£27,766	£69,096	£0	£16,295	£52,801	£212,388
15	£57,968	£31,415	£89,382	£0	£18,437	£70,946	£528,506
20	£81,303	£35,543	£116,846	£0	£20,859	£95,986	£955,122
25	£114,032	£0	£114,032	£0	£23,600	£90,431	£1,343,045

## Solar Rental Scheme – “A No-Brainer”



*\*Assumes 2.5% RPI and 7% energy price inflation, yield from the NW.*

The graph above shows the cumulative benefit of a Solar Rental scheme for a 250kWp solar array on a property currently paying 10p/kWh. This graph shows how the scheme remains cash flow positive from year 1 and how a business can benefit in the short and long term.



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## Summary of Benefits:

- **CASHFLOW POSITIVE** – Rental payments can be structured such that they are less than the benefit of the Solar Array at all times.
- **ZERO CAPITAL OUTLAY** – The solar panels will be installed and funded by a third party. The fund gets their return through the rental payments only.
- **TAX EFFICIENT** – All rental payments come off the bottom line which carries greater tax benefits than purchasing an asset.
- **OFF BALANCE SHEET** – With the leaser not owning the solar panels, they can remain off the Balance Sheet improving the accounting position of the business.
- **WON'T IMPACT FUTURE BORROWINGS** – Borrowing is considered off book.
- **FLEXIBLE EXIT STRATEGY** – Unlike a PPA, exit is flexible and simple. For a business that is unsure what its position will be in the future, a clear exit strategy is valuable. Exit costs for each year can be pre agreed before entering into the scheme. The exit cost for a given year is simply a combination of any remaining Stage 1 rental payments (covers install cost) and any maintenance costs incurred up to point of exit.
- **INCLUDES MONITORING & MAINTAINANCE** – Throughout the rental period the system is fully monitored and maintained free of charge. Any cost implications with replacing equipment is with the fund/owner.
- **KINGSPAN & EUROCLAD CERTIFIED** – This means that any warranties on your roof held by these parties will be unaffected by the Solar Panel installation.



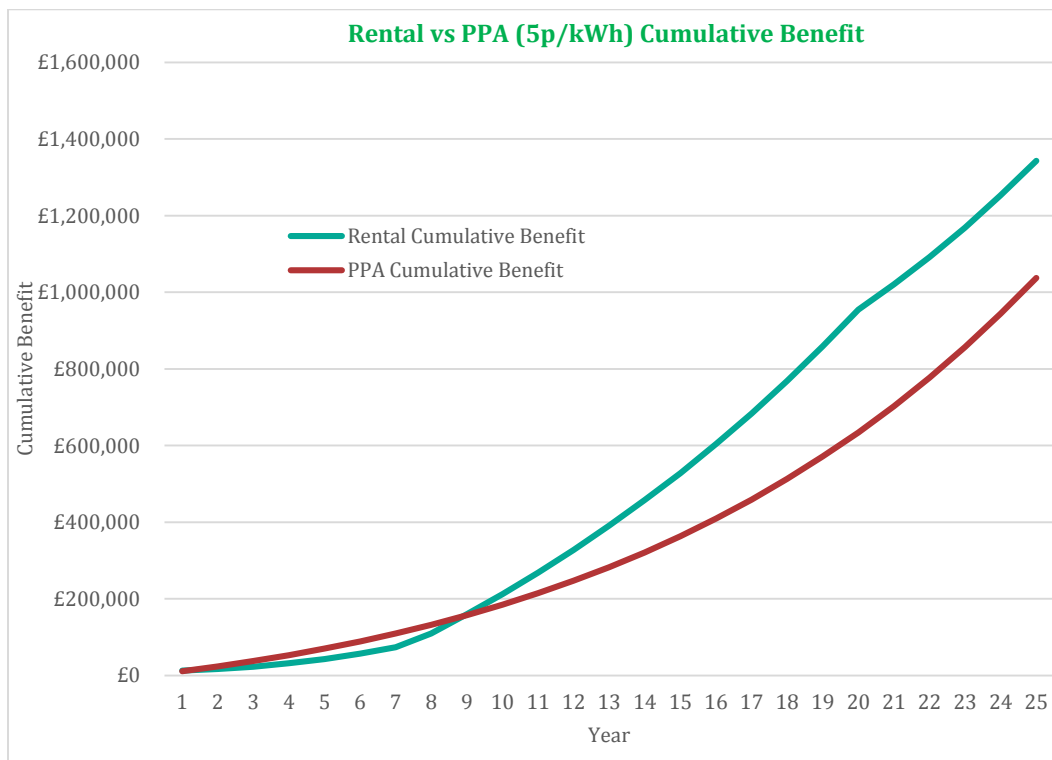
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## Solar Rental vs Power Purchase Agreement (PPA)

The only other approach to installing Solar Panels for zero capital outlay is with a PPA (which we can offer if preferred). A PPA involves entering a 20-25 year agreement to purchase electricity at a pre agreed price, some as low as 5p/kWh.

However the catch here is that the exit costs can be extremely prohibitive and the funder installing the panels takes all of the lucrative FIT payments.

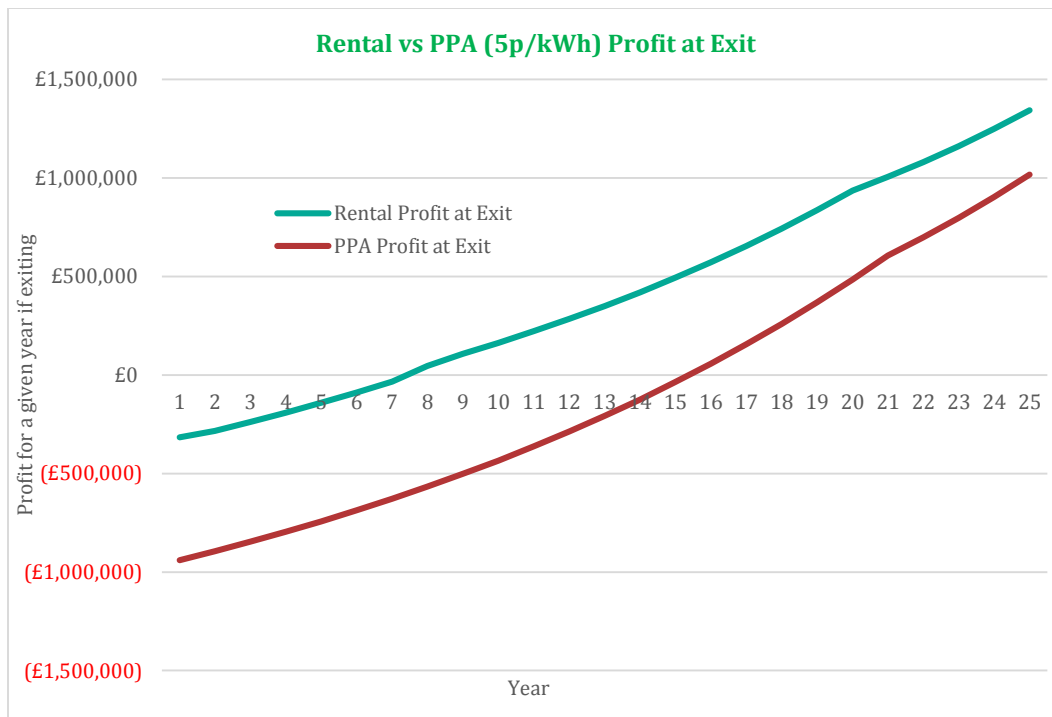
The table below shows how the cumulative benefit of a 250kW system under a Solar Rental and PPA (5p/kWh) compare. All variables are the same other than the specific differences between a Solar Rental and PPA:



The below graph compares the profit if a business decides to exit a Rental or PPA (5p/kWh) in a given year. For example a business may decide to demolish the building supporting the solar panels in year 15, the exit profit in this year would be circa **£490k under the Solar Rental** and **-£35k under the PPA** scheme.

The reason for the dramatic difference comes down to a PPA holding the power purchaser to pay for any loss of revenue in the event of an exit. Whereas the Solar Rental only requires for the cost of the installation (stage 1 rental) to be repaid plus any incurred maintenance costs, there are no loss of revenues to compensate for.

The table below compares the exit profits for each year. The purpose of this is to show how inflexible a PPA can be vs a rental.



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## How do Solar Panels work?

Solar Panels were invented over 50 years ago and the efficiency and cost effectiveness has been hugely improved over the last 10 years thanks to government incentives.

A solar panel has no moving parts which means the lifespan of a solar panel is greater than 25 years (warranties of 25 years available). When a solar panel is exposed to sunlight the panel produces direct current, in order to convert this into alternating current an inverter is required. Inverters are IP65 certified meaning they can be installed indoors or out.

As the Solar Rental scheme covers all maintenance and replacements, the business doesn't need to worry about any technology risk.

## About Smeaton Wood Energy Ltd

Smeaton Wood Energy Ltd is run by personnel with over 4 years' experience in the International Renewables Market. We strive to utilise this experience and our connections to deliver highly competitive and bespoke packages for our clients.

Above all we put our clients first. The business is a family run entity who offer a friendly yet professional experience nationwide.

We have experience in delivering Solar Panels from small domestic systems through to 14MW Solar Farms cover almost 85 acres.

Further to this, we also specialise in Biomass Boilers for heat generation, so please mention if these are also of interest.

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## Case Study – Greggs Bakeries



### 1.28MW across 10 Sites

Greggs Bakeries wanted to reduce their dependence on grid supplied electricity and decrease their CO2 emissions.

Greggs weren't happy with the typical paybacks of investing in Solar Panels (5 years) and so wanted to go down the Zero Capital Outlay route. After comparing options Greggs opted for the Solar Rental scheme to rollout Solar across 10 of its factory facilities totaling 1.28MW in capacity.

SYSTEM SIZE

**1.28MW**

NUMBER OF PANELS INSTALLED

**5,120**

EXPECTED ANNUAL CO2 SAVINGS

**600 tonnes**

## **SMEATON WOOD ENERGY LTD**

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