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A LOT OF POTENTIAL LEFT FOR GREEN ENERGY

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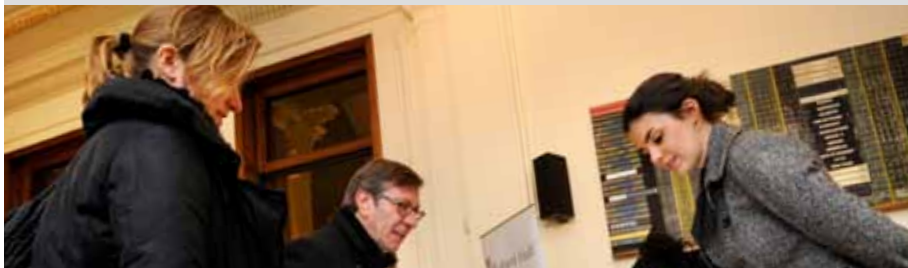
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A lot of potential left for green energy

For the first edition of “Finance at breakfast” in 2011 Robert Half organised a panel discussion on the developments in the green energy sector and the corresponding financial and economic aspects on 25 January in the Brussels stock exchange. Under the guidance of moderators such as Frederik Delaplace and Martine Maelschalck, editors in chief of De Tijd and L’Echo, Patrick Decuyper, CEO Enfinity, Luc Desender, CEO Electrawinds, Luc Regout, CEO Air Energy and Dominique Woitrin, CREG technical operation of the markets department, shed their light on the different aspects of the green energy market. They look at the future with optimism but emphasise that our country has missed some opportunities.

Since the bankruptcy of Lehman Brothers in 2008 caused an unprecedented economic and financial crisis, every network meeting among entrepreneurs starts by inquiring how they survived the crisis and how they have been coping since then. Companies in the renewable energy sector have not been affected by the crisis. “We were able to maintain the same growth rate”, Patrick Decuyper points out. “The crisis did not stop our expansion on the export markets. We have more staff and our sales volume continued to rise.” Luc Desender and Luc Regout share that opinion: “We have had so many projects and not enough staff to materialise them all. The “war for talent” never stopped here”. Dominique Woitrin mentions briefly that the general electricity and gas consumption was strongly reduced as a result of the crisis, but that this did not affect the players from the renewable energy sector, more so because they also received substantial subsidies.



Did the political crisis affect the subsidies?

For Martine Maelschalck this reference to subsidies immediately triggers the question of whether the political insecurity in Belgium, embodied by the fact that there is still no government 230 days after the elections, may be more reason for concern for the green energy sector than the economic crisis we seem to have overcome by now “because the sector strongly depends on subsidies, maybe even too strongly.” Luc Desender only partly agrees with this statement: “Every new technology which can contribute to the general social welfare - and everyone agrees that this is the case for solar and wind energy - intrinsically relies on subsidies. But if you see the evolution of wind energy on land, you just have to agree that we have come a long way already. In a few years time the same will be the case for wind energy at sea. The thing is to look at it in the long term. Green energy is a choice you make. Initially it may indeed be a little bit more expensive. But once the decision is made to go for green energy, there is no way back, not even if a political crisis pops up.” Luc Regout fully agrees and also thinks that the government has made the right choices by opting for the system of green power certificates.

“As green energy will become more generally adopted, the prices of green energy will also decrease. It is indeed about the choice of paying a little more today to see it translated into a much lower environmental bill later.” Patrick Decuyper also does not think the government has subsidised the sector too much. “With Enfinity we operate in more than twenty countries. And in many countries it is already cheaper to generate electricity through solar panels than by means of traditional power plants. This proves that the right choices have been made with the subsidy policy. In the northern countries the energy production will eventually also become cheaper this way. In fact, we are still writing the first pages of the green energy story, which will end becoming a very voluminous book.





Differentiated opinions about financing

In order to turn green energy into a story befitting a thick book, government subsidies alone are not enough. A lot more funds are required, for example for investments in large offshore farms, because it will take quite some years before these are really profitable. And that money is not always available. Certainly not for smaller Belgian companies. The panel members have different opinions about this. “I do not know of any projects which would not have gone ahead due to a lack of money”, says Luc Desender, for instance. Patrick Decuyper, on the other hand, is of the opinion that due to a lack of money, which may not have been available at the right time or for which the parties involved did not find the right channels, some opportunities may have been missed. “If companies like Imec or Photovoltaic, who developed a brilliant technology, had found funds at the right time, the production might not have shifted to Asia, as is the case now. No one can get round the capital-intensive nature of this business. In our sector we are, for example, the 6th player in the world, but the five companies above us all belong to groups which have much easier access to funds than we do. A competitor of Photovoltaic collected 9 billion dollars in China without batting an eyelid. These figures speak for themselves.” It also indicates that the smaller Belgian companies can be interesting take-over prey for foreign groups. And, actually, Luc Regout does not really mind. “It is the normal course of affairs. Belgium is a small country. At a given time it is only logical that growth can only be consolidated by



merging with a foreign group. When we had the chance to integrate Air Energy in Eneco, we were obviously grateful for this opportunity, because this group would allow us to find the capital we needed for further developments.” Patrick Decuyper also thinks that, given this situation, it would be a logical step to integrate Enfinity in a larger international group in case of further growth. For Electrawinds this scenario does not seem to be in the pipeline yet, because the group still succeeds quite well in implementing one capital increase after another. The moderators and the panel members express their admiration for this and wonder, on the other hand, how long Electrawinds is going to keep up this form of financing. Luc Desender does not seem to be too worried about it. “At a given time there is always a consolidation in a growth sector, and always one or two companies which can continue to grow. We hope to be one of those. Besides, we have recently found new capital in France.” According to Luc Regout we may not forget that, besides difficult access to capital markets, small Belgian companies are also faced with other obstacles. “Just think of all the red tape involved in permits, for example.”



Besides difficult access to capital markets small Belgian companies are also faced with other obstacles.



Towards a decentralised energy production

With regard to the market regulation and price setting it strikes Frederik Delaplace that the liberalisation of the energy market has not yet succeeded in providing cheaper energy. “Energy is becoming scarcer, that is a fact”, says Dominique Woitrin. “And you should not forget that wind and sun are very unpredictable, certainly in our parts.” According to Patrick Decuyper, however, this may not be an obstacle to continue to believe in the potential of green energy. “Green energy is precisely an opportunity to keep prices as low as possible for end users. I am convinced that there will be a shift from centralised to decentralised production in the future, where every family will eventually take care of its own energy production autonomously to cover its exact needs. That is why we are fundamentally opposed to the Desertec project of some large German conglomerates to build a giant solar panel farm in the Moroccan desert. This would again be a centralised production, while we really believe in the decentralised model.” Dominique Woitrin presents other reasons to seriously question this large project. “The project wants to generate energy for Europe in the African desert, while pretending Africa does

not need this energy. If the Desertec projects really goes ahead, the energy which is produced there would have to go to the African continent.”

The conclusion is clear for the panel members: the sector of green and renewable energy has a bright future ahead, certainly because generation of energy from biomass is still in the early stages. The European objective of producing 20% of the energy supply from green power by 2020 alone is already a huge challenge. In the meantime, Belgian top businesses such as Electrawinds, Enfinity and Air Energy continue to play an increasingly important role in the Belgian economic landscape.

Geert Degrande

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