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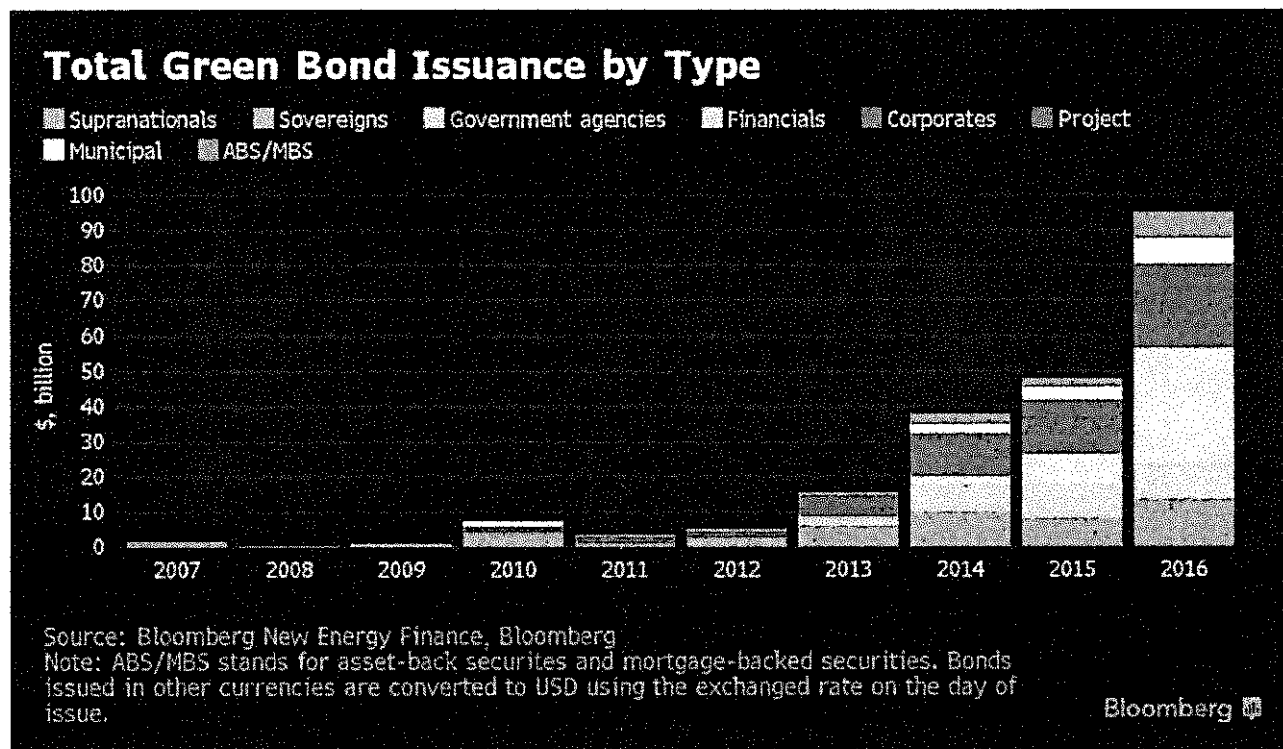
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MEP Werke Plans New Green Loan to Expand German Solar Rentals

By Bloomberg News

Germany's MEP Werke GmbH plans to seek a new green loan to fund expansion of its solar-rental business, tapping investor appetite for financial products with environmental certificates that are secured by underlying assets.



The Munich-based company may raise as much as 50 million euros (\$54 million) of fresh asset-backed debt this year, said Ulrich Bogner, director of corporate finance and investments, in an interview. It would be the second environmentally-certified loan following last year's 30-million euro credit also taken out by MEP and certified by green bond rating agency Oekom Research AG.

MEP and its partner NIBC Bank Deutschland AG secured a low interest rate on the initial loan last year, which was bought by Dutch insurer Delta Lloyd NV's asset management unit, Bogner said, adding that Delta Lloyd may also sign up for the second loan. He declined to be more specific.

Loans similar in structure to green bonds may push the boundaries of certified green investment by widening opportunities for environmentally-friendly projects. As a condition for gaining CBI certification, MEP's loan is completely tied to development of its rooftop solar portfolio.

MEP's first green loan was secured on the back of about 3,500 solar rental installations, a figure that the company hopes to at least double with a new loan, Bogner said.

MEP's customers pay the company a fixed rent for 20 years and may tap the power generated for their own use. MEP in turn pays a fixed coupon for the loan but isn't faced with a redemption at the end of the contract, as in the case of a bond. MEP rental sales are rising rapidly, according to Bogner.

Annual issuance of green bonds reached a record of \$95 billion in 2016, Bloomberg New Energy Finance said in note to clients on Jan. 19. The market for green bonds has grown at an annual rate of 30 percent since 2013.

"The label is less important than the content of a green finance instrument," said Philipp Ruehle, director of research services at Oekom in Munich, over the phone Wednesday. So far, the company has received very few inquiries for green loans, yet it sees greater differentiation in product type as sustainable investments grow.

Strict qualification criteria for green bonds mean some client inquiries have little hope of gaining a rating, said Ruehle, citing the example of a group that sought Oekom certification for a bond to finance damage repairs after a natural disaster.

In 2016 Germany added about 1.5 gigawatts of solar power for the second year in a row, down significantly from the boom years of 2011 and 2012 when 7 gigawatts and about 15 gigawatts were added. Guaranteed payments for generating the power are being tapered while new incentives are offered by storage—including subsidized solar batteries.

By Brian Parkin