# Falling FIT acts as a brake on Japan solar

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The a decline in feed-in-tariffs (FIT) rates for new renewable energy projects in Japan has put a brake on new solar power developments.

A burst of new projects followed on the Japanese government's introduction of FIT for renewable energy on 1 July 2012. In 2013, 15 projects worth $1.49 billion were closed and that number spiked to 22 deals worth $2.14 billion in 2014.

But in 2015, the number of deals shrunk to nine for a total value of just $1 billion.

Japan's Ministry of Economy Trade and Industry has been cutting the solar FIT at an escalating rate: originally set at ¥40 ($0.35) per kWh for 20 years in 2012, the rate has been cut by more than 10% every year and was slashed by 15% year-on-year to ¥27 per kWh in fiscal 2015.

As a result, just two deals over ¥10 billion closed in 2015.
The biggest was the 96.2MW, ¥43.8 billion Hosoe Solar Plant in Miyagi prefecture in north-eastern Japan, according to IJGlobal data. Bank of Tokyo Mitsubishi UFJ was lead arranger on the ¥35.1 billion term loan that closed in March.

The second was the 43MW Ichigo Showamura Ogose ECO Power Plant that signed in September. The ¥12.4 billion two tranche loan was arranged by SMBC, Mizuho, Shinsei Bank and Gunma Bank.

The trend towards building larger solar plants for the sake of achieving economies of scale is expected to continue for the foreseeable future, particularly as the threat of another cut in solar FIT rates looms. Next year, the rate may be cut to ¥24 per kWh, according to local press reports.

Most of the Japanese renewables space has so far been dominated by solar, with some estimates putting the proportion at around 70% of all renewable developments in the country.

The Japanese government, however, has other plans. According to the 2015 Energy White Paper updated last November, the government is looking to increase the proportion of renewable energy to 22-24% of total electricity generation by 2030, but solar is projected to represent just 7% of the total energy supply.

With the government keen to diversify away from solar and into other renewable sources of energy such as geothermal, it is likely to continue to set lower FIT rates for solar power in the years to come.

The Japanese parliament is also debating a bill to strip developers of the earlier FIT rate licences if they have not started development on their projects by April 2017.

Many smaller players that jumped into solar power developments because of the initially generous FIT rates are expected to be squeezed out of the market and the projects to come up for sale. In particular, projects that have been granted the earlier FIT rates but have yet to be developed will be scrambling to find buyers before their rights are annulled.

Many smaller developers may be looking to the upcoming Tokyo Stock Market infrastructure fund market for a source of buyers. The first listing, of the solar assets of medium sized residential developer Takara Leben, is expected during the second-quarter of this year.