

# Interview: FRV's Javier Huergo

---

Jordan Bintcliffe

29/06/2017

A proliferation of new solar tenders around the world brings opportunities for develop-build-sell business models like that of developer Fotowatio Renewable Ventures (FRV).

Over 300GW of solar capacity had been installed worldwide as of the end of 2016, with a further 100GW expected to be operating by 2018.

FRV has developed and built over 780MW of solar projects across Europe, the Americas, the Middle East, Asia and the Pacific and plans to reach financial close on a further 750MW this year, according to Javier Huergo, treasurer and chief investment officer at FRV's parent company Abdul Latif Jameel (ALJ).

FRV is looking to close on 300MW of new capacity in Mexico, 100MW in India, 200MW in Australia and 50MW in Jordan in 2017. It has already closed on two 50MW projects in Jordan in March this year and has a third [under consideration for debt financing from the EBRD and FMO](#).

The company's strategy is to develop and build solar projects – and to later divest them whilst keeping the operations and maintenance service contracts. So far in 2017 the company has agreed the sale of its 65MW La Jacinta project in Uruguay and the 100MW Royalla project in Australia to Invenergy and the Dutch Infrastructure Fund, respectively.

## Making headlines in Dubai

Huergo has been leading recent debt, equity and M&A fundraising activities within the group's energy and environmental services arm. He began his career at KPMG before leaving for Banco Español de Crédito as executive director within the capital markets division in 2001. Joining FRV in 2009, Huergo moved into his position at the ALJ energy and environmental services team in Madrid in 2017, two years after the company acquired FRV in 2015.

FRV and ALJ hit the headlines in June 2016 when they were selected, as part of a consortium with Masdar, as the preferred bidder for the 800MW third phase of the Mohammed Bin Rashid Al Maktoum solar project in Dubai. The consortium bid a tariff price of \$0.0299 per kWh, which at the time was the lowest price bid for a solar project anywhere in the world.

But FRV and ALJ then raised eyebrows by officially pulling out of the project in March this year. In an official statement at the time the companies claimed the decision was based on a desire to consolidate their activities, though others in the market have speculated that the tariff price was no longer seen as viable by FRV.

"After the contract had been awarded and the implementation phase had commenced, we felt it was the right time to concentrate our resources on projects where we have a key delivery role or a major stake," Huergo says "At the same time, we are expanding into new geographies such as India, while diversifying the business."

[EDF joined the consortium in place of FRV](#) although the terms of the company's acquisition of an interest in the project were not disclosed.

It is not just in the Middle East where the price of solar generation is being driven down. Dubai, India and Chile have all set new records for solar tariffs in recent years. This trend is largely being driven by lower input costs as solar panels get ever cheaper.

## Financing options

Another key driver of low tariffs has been the availability of cheap financing. Although regional banks in the Middle East have been squeezed by low oil prices in the last couple of years, there is still plenty of appetite for solar projects which tend to have quite modest capital requirements compared to other types of infrastructure.

Although Huergo expects solar projects to be predominantly bank financed in the next few years, he thinks funds will play a more active role

on transactions in five to 10 years.

“Banks will remain the major funders of projects but we’ll see more institutional money coming into the debt structures,” he comments. “For instance more infrastructure funds providing debt as well as equity.”

“Financing structures will be driven by liquidity issues on the lender side so you’ll see more mini-term structures with five-to-seven-year facilities and refinancing risk rather than 20- or 25-year facilities, which the banks are more reluctant to lend on,” he says.

Two major solar financings in the Middle East this year have used soft mini-term structures: the [1,177MW Sweihan](#) project in Abu Dhabi and the [800MW Mohammed bin Rashid al Maktoum](#) project in Dubai. This move to shorter tenors is a result of a [reduction in available long-term debt from regional banks](#), encouraging sponsors to plan for post-construction refinancings.

Sweihan is the world’s largest single solar project to reach financial close and required a debt package of \$650 million. It’s size could justify a bond takeout once operations have begun though Huergo is generally sceptical of capital market solutions for solar projects.

“Capital market solutions always go through a rating process and ratings agencies, in my view, do not properly evaluate the risk profile of these types of assets,” he says. “The investment grade ratings are restrictive”. He also notes that banks can take a more aggressive view and be more flexible in structuring deals than bond investors.

“You can get longer tenors through a capital market solution which is good, but you don’t see many PPAs in the market longer than 20 years,” he points out.

He also thinks it unlikely that the market will see bonds or sukuk issued at the project level for solar IPPs, similar to [Acwa Power’s recent power project-backed bond](#).

“Large projects may likely tap capital market solutions to get refinanced but I do not expect this bond solution to be used for small or medium size projects and definitely not for greenfield projects.”

#### **The death of CSP**

Concentrated solar power (CSP, also known as thermal solar), a technology that uses mirrors or lenses to concentrate solar radiation, was common only a few years ago. Now less than 20 greenfield CSP projects worldwide are in the market seeking financing, according to *IJGlobal* data.

Dubai is one country which is bucking this trend. Acwa Power was the lowest bidder earlier this month on the [200MW DEWA CSP](#) project, which still managed to attract significant interest from investors. But Huergo expects evolving battery storage technology to eventually make CSP obsolete.

“Concentrated solar power used to be very sexy and everyone was super attracted to it. But now, how many CSP projects do you see in the world? Not many.”

“So the combination of photovoltaic plus battery will be by far simpler, more reliable, and more efficient than CSP. Maybe not today but in the future. Once battery systems become more efficient, CSP will be dead; if it’s not dead already.”

Like many other companies in the sector, FRV is investing heavily in battery storage technology. Huergo says. “Our research and development department in Madrid, 90% of the time is dedicated to battery storage systems.”

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-up](http://www.ijglobal.com/sign-up), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*