



The Fall of Icarus (1636), painted by Jacobo Peter after a sketch of Rubens. Photo: Aisa/Hollandse Hoogte

# Belgian solar sector may overheat

Thanks to generous subsidies, the development of solar power has taken off in Belgium. Many players even fear that 'oversubsidising' could lead to the market overheating. 'It's really only about money. We never hear ecological arguments.'

| by Remco de Jong

On a deserted industrial estate near Liège young workers fit solar cells on custom-made panels for a prestigious project to power the Euro Space Centre in Belgium's Walloon provinces. Young entrepreneur Laurent Quittre proudly shows off the precision work in which his company Issol is specialised. 'We manufacture custom-made panels to the client's specifications. I opted for a niche in order to set myself apart from the bigger players in the sector.'

Until two years ago Quittre traveled through Europe as a financial specialist, advising European banks. 'Then came the time when I asked myself if I wanted to carry on doing what I was doing for the rest of my life. I'm interested in renewable energy and I wanted to build something up.' Issol buys its solar cells from Photovoltech, a spin-off of the renowned IMEC research institute affiliated to the University of Louvain.

Quittre designs and produces the installations and looks after the financial side. 'With its myriad subsidy schemes that's very complicated in Belgium. An entrepreneur wants to know exactly what the installation will mean for his bottom line.' Quittre is quite aware that his customers are primarily interested in the economic returns and that they use the solar panels in their marketing. Belgium has been experiencing an enormous

boom in the photovoltaic sector since a raft of highly attractive subsidy schemes came into effect in 2007 and 2008. Three subsidy schemes apply, one for each of the regions: in Flanders, the Walloon provinces and Brussels. Flanders has introduced a subsidy rate of 45 cents per kWh for 20 years, making it possible to recoup costs in eight years and make a profit for twelve years. The Walloon provinces have implemented a more complicated scheme, in which an owner of a PV installation receives seven green electricity certificates per 1000 kWh for 15 years, the value of which is guaranteed at 65 euros each. The actual value of such a certificate is currently 90 euros, which means the owner receives a subsidy of at least 455 euros (7 x 65 euros) per 1000 kWh (or 45.5 eurocents per kWh) and currently as much as 630 euros (7 x 90 euros). In addition the Walloon provinces pay a premium of 20% of the purchase price of an installation. Brussels offers 7.7 green power certificates per 1000 kWh over a period of 10 years for smaller PV installations plus a premium of 3 euros per Watt, making it possible to start reaping net benefits after just 18 months.

## Huge bubble |

Quittre has mixed feelings about the growth explosion in the sector. 'I'd have

preferred a slower but stable rate of growth. If the bubble bursts, lots of companies will collapse.' Issol has 27 staff, working day and night shifts to manufacture the panels. The company is overstretched. 'I haven't the time to talk to all my potential customers.' Even so, he's not yet looking to expand. 'If I knew for certain how the sector was going to develop I could take on 60 extra staff, but I don't dare.'

Quittre's caution stems from uncertainty over the continuation of subsidies. 'We need a decision that offers certainty about future financing,' Quittre says. The young entrepreneur believes that the current schemes are far too generous and finds it odd that the taxpayer is expected to foot the bill. 'Make the conventional energy producers shoulder the cost burden.' Cost recovery periods of four to six years are 'ridiculous', Quittre says. 'A PV installation is good for around 25 years, surely you can write it down over a longer period?'

Quittre is not the only critic. An energy specialist in Brussels recently set the cat among the pigeons by suggesting that government money could better be spent on home insulation. He said this works out six times more efficiently than subsidizing solar power. Policy makers responded cautiously, raising the possibility of future



subsidies being made conditional on the outcome of an "energy audit" of the applicant's home.

Producers of photovoltaic systems were immediately up in arms. At a hastily convened press conference they warned that such pronouncements fostered consumer uncertainty and could deal a severe blow to the newly created sector. 'I'm already seeing customers becoming hesitant about ordering a PV installation,' said director Philippe Spelmans of fitter Poweco. He was backed up by Eric Guyot, director of Ekowatt. 'Insulation and solar energy are two different things and they shouldn't be confused with one another', Guyot said. 'Insulation is not a means of electricity production.'

Kees Onstijn of Solar Total said an insulation stipulation 'will mean the end of the sector.' Solar Total is market leader in Flanders in installing small-scale systems for private households. In 2008 the company installed 2000 systems in Flanders alone. 'An audit like that raises the threshold', says Onstijn. 'You have to just accept that subsidies are necessary in the photovoltaic sector. There's no grid parity, so it will carry on being more expensive. In a developing sector like this you have to oversubsidise in the beginning. Once the first systems are up and running, word of mouth will do the rest.' Onstijn is convinced that the success of the sector depends on the financial incentives. 'We talk to thousands of potential clients, and those talks are really only about money, not ecology. We never hear ecological arguments. Environmentally conscious people had systems installed long ago.' But subsidies could be cut, Onstijn concedes. 'Prices of PV systems are falling on the world market, so you can reduce the financial support as well.'

Solar Total employs 35 staff, alongside a network of franchisees who sell and install systems. At times demand is so great that the company even despatches teams of fitters from Germany. Solar Total is expanding into the rest of Belgium and is also active in France and Italy. 'Those are the major growth markets over the next

few years', says Onstijn. But he too sees a danger of the market overheating. 'There are lots of cowboys around in the sector who import containers full of solar panels from China of sometimes dubious quality.' Spain's decision late last year to scale down subsidies could lead to oversupply on the world market, he warns. 'Producers were counting on further market growth in Spain. Now that's going to fall away, the question is where those panels can be sold.' Onstijn is pinning his hopes on the United States. 'If Obama lives up to his promises it'll all be happening in America.'

The Belgian energy lobby of renewables producers Edora sees enormous potential in the photovoltaic sector. 'We need PV to meet the European goals for green energy

production,' Annabelle Jaquet of Edora says. 'Ten years ago we let developments in wind energy pass us by. We should not let that happen again.'

In Belgium Flanders leads the field in the sector. In some municipalities additional local subsidies have persuaded households to invest. Flanders' minister for the environment Hilde Crevits recently rewarded the Schelle local authority, where one in every 98 households has had a PV system installed. In other municipalities residents have teamed up to secure lower prices through bulk buying.

A spokesman for the minister defends the high subsidies. 'Solar energy has enormous potential, even in Belgium where there's not much sunshine. In this country we have few opportunities for generating wind and hydropower. Of course it's possible to scale back subsidies over the coming years. The price of the systems is coming down, so the subsidies can come down too.' The spokesman denies that this will lead to uncertainty. 'Someone opting for solar energy today, will gain a guaranteed return over twenty years' time.'

## Cherry on the cake |

Gie Verbunt, owner of PV-fitters Izen, is a pioneer in Flanders. He experienced at first hand the hype that for years gripped the PV-sector in Germany. Izen was bought up by German listed company Conergy, which later got into difficulties because of falling stock prices. 'We were able to regain control of the company through a management buy-out. From that experience I learned that you mustn't let yourself be led by the hype, but that you should rather try to grow at a controlled pace.' In just a few years Verbunt's company saw its workforce expand from fifteen to 85. 'It takes a great deal of effort to keep that process under control', Verbunt says. He, too, warns of the danger of the bubble bursting. 'But the difference with the internet crash of 2000 is that we will always

*'In these crisis-ridden times everyone should be loading up their roofs with solar panels'*

need electricity and that we will have to do everything in our power to produce enough green energy to meet European directives. I'm convinced that the future is bright for PV, although the subsidies could certainly be a little less generous.'

The Walloon company Sunswitch was set up a year and a half ago and already has 80 staff. Its founders are three young economists with no inclination to follow the classic career path by going into consultancy. 'We see that PV systems lead to greater self awareness among our clients. The first time we meet a client, they have little or no idea of their annual energy consumption. Once you become an energy producer yourself, that changes. That awareness also leads to other eco-friendly measures being implemented. A solar panel is the cherry on the cake. But why shouldn't you eat that cherry first? That's the wonderful thing about PV. You're doing something for the environment, and you're making a rational, profitable investment. In these crisis-ridden times everyone should be loading up their roofs with solar panels.' ■