

▶ Commercial Banking

# Renewable energy

Generate sufficient clean energy for your own use, reduce energy consumption and maintain your business operations, with innovative financing options from



Contact your banker for more information.

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## Important considerations

- The inconsistent supply of power is not something that can be solved in the short term, and adversely impacts business continuity.
- The cost of electricity has increased exponentially in the past 10 years and is expected to increase even more, which will directly impact profit margins.
- Savings resulting from replacing your current electricity supply with renewable energy can fund the repayments of financing solar equipment.



## We finance the following equipment

- Photovoltaic (PV) panels.
- Solar concentration (heat equipment).
- Biomass equipment.
- Wind turbines.
- Hydro-electricity equipment.
- Other proven energy hardware solutions.
- Verifiable energy-efficiency equipment that produces savings that can be demonstrated or verified.
- Hohm Energy solar installations.



## Benefits

- We offer longer repayment terms and competitive pricing, making it more affordable.
- Our partnership with Hohm Energy gives you access to energy experts, engineers and advice, as well as seamless financing options through Nedbank.
- Renewable energy protects your business against revenue loss and production interruptions caused by power outages.
- Fixed monthly loan repayments help with more effective cash flow management.
- The cost of solar investment can be offset against the savings on electricity costs.
- You can choose between outright ownership or third-party ownership.



## Tax implications

For outright purchases

- You can claim back your input tax on your solar installation cost.
- Reduce your taxable expenses in year 1:
  - You can depreciate the asset in year 1 at 125%. (Valid for two years – 2023 and 2024 tax years).
  - You can deduct the interest paid on the loan you used to finance the solar installation from your expenses.
- You can also qualify for energy-efficiency tax exemption, subject to verification by the South African National Energy Development Institution, amounting to 95c/kWh.

Manufacturing clients

- Industrial policy tax deduction can be claimed. However the business must demonstrate an energy cost reduction of at least 10%.

Please consult your auditors or accountants regarding tax benefits.



## Steps to apply

For Hohm Energy applications:

- Apply online on the Hohm Energy website.
- Hohm will contact you to complete a needs analysis, and will arrange a site visit and source a quote from accredited installers in your area.
- Once you have accepted the quote, Hohm Energy will notify us and we will contact you to start the financing application process.

For all other financing applications:

- Contact your banker.

**NEDBANK**

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## Outright purchase



- The asset and additional funding will be carried on your balance sheet.
- No deposit is required, and input tax as well as wear and tear allowances can be claimed.
- An outright purchase enables you to save money on utility bills to fund the capital repayments and thereafter boost the profit margins of your business.

### Term loan or asset-based finance

- Repayable over a period of up to 10 years in monthly instalments, making cash flow predictions easier.
- Sureties or other assets may be required as security.
- Asset-based finance ringfences all costs associated with your purchase, making it easy to identify for accounting and tax purposes.

### NedBond

- Finance is provided through an existing bond on the property or by increasing the bond. The term of the agreement may be restructured or run concurrently with the term of the existing bond.
- Security is given in the form of the bond registered over the property.

## Third-party ownership



If you don't want the asset or funding on your balance sheet, you can sign a long-term rental or power purchase agreement (PPA) with a vendor operating as an independent power producer, locking in long-term stable energy prices without requiring any capital.

### Rental discounting

- Renewable-energy suppliers may register with Nedbank as a rental discounting supplier.
- A three-way contract is established between the bank, the supplier and yourself, which means the business client pays Nedbank a rental fee for the equipment.
- The equipment may be rented over a period of up to 10 years with an option to renew the rental agreement for a further period.
- No deposit is required, the equipment remains the asset of Nedbank and specific arrangements are made for ownership when the rental agreement comes to an end.
- Depending on the rental agreement, the rental may be expensed and claimed for tax purposes. However the taxation allowance eg wear and tear, cannot be claimed.

### Power purchase agreement

- Ideal for property owners with malls, shopping centres and business parks requiring independent power generation billing and collection for each tenant based at various sites.
- The equipment and agreements are ringfenced into a special-purpose vehicle (SPV), partially funded by the bank.
- Developers typically contribute a share of the project cost as equity into the SPV.
- The structure is managed through a power purchasers agreement between the consumer of the electricity and the provider.

