

PRESS RELEASE

How to finance a Geothermal power plant in Europe

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The GEOELEC project has created a financing guide for private investors and banks, providing them with solid background knowledge on the different phases of a geothermal project, their distinct features, inherent risks, and financing options.

Among all renewable energies, geothermal is the most reliable. With a load factor of more than 90%, the fact that it can produce a steady output around the clock makes geothermal power competitive with newly built conventional power plants, in areas where high-temperature hydrothermal resources are available.

Geothermal power is a capital-intensive technology, which needs 5-7 years to become operational from the start of the permitting process until commissioning. It requires significant upfront investment to cover drilling costs and mitigate the geological risk during exploration. A lack of capital, notably during the early project stages, has been a barrier to the growth of geothermal power, a problem exacerbated by the credit crunch.

Realising the significant geothermal potential will therefore require innovative investment strategies.

Public support mechanisms are available today to compensate for market failures and to mobilise private financing. This will allow emerging geothermal technologies to progress along their learning curve and reach full competitiveness in the next few years.

Private sector involvement is essential. To enable this, financial institutions and private investors must be made familiar with the complexity of geothermal technology, its challenges, and environmental and economic benefits; they should understand how geothermal power projects are planned and developed over several years. Specifically, developers need to know their financing options while investors need to have basic knowledge of and confidence in these emerging technologies. Further, mutual understanding between developers and investors is of the utmost importance.

The GeoElec Geothermal Investment covers the stages of development of a geothermal plant, the key aspects of financing, revenue streams, and legal aspects. It also includes two case studies of hypothetical plants in Iceland and Germany.

The GEOELEC project aims to promote geothermal electricity generation in the EU and notably to remove financial barriers. The guide and many other useful documents can be found on the GEOELEC website www.geoelec.eu

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