Made 'smart' in Turkey

At the recent Solarex show in Istanbul, EPC Asunim and Turkish module maker Smart Solar, in partnership with China's Phono Solar, signed a supply deal for 24.2 MW of tier-1 Phono Solar, Made in Turkey, modules. These modules are destined for two adjacent 10 MW 'licensed' PV projects, developed in Turkey's Konya region by Akfen Renewable Energy Inc, part of Akfen Holding. Once complete, these will be the largest projects to date realized under the country's licensed regime. Halil Demirdağ, Executive Chair of Smart Energy and Andreas Schuenhoff, Managing Group Director of Asunim spoke to pv magazine.

Photos: pv magazine/Jonathan Gifford

Halil Demirdağ, Executive Chair of Smart Energy and Andreas Schuenhoff, Managing Director of Asunim after the signing.

Smart Energy has developed projects, carried out engineering oversight on in-house projects, and is now producing modules. The fab was developed in partnership with China's Phono Solar. What is the significance of this deal for your manufacturing?

Halil Demirdağ: The new part of the Smart Energy business has been in motion for one year – managing a [solar] gigafactory in Turkey. This factory was designed to supply high quality modules for Europe, and of course the MENA region, and not just Northern Africa, but the whole of Africa.

And what is the progress of the manufacturing?

We are very proud because we sold modules to an ex-factory owner [Asunim's Schuenhoff]. You know, it is easy to sell to someone who doesn't know about what he is buying. I want to congratulate Asunim, as an international EPC company, on having such good quality and making a good impression in front of the [24.2 MW GEM project's] investors. The investors signed the deal for the construction plans in Turkey, which will be the biggest licensed project in the country. Asunim has done this before in Turkey [constructed a record-setting project] and so it's no surprise that they are doing another one.

As you note, these are the two largest licensed projects to get off the ground to date. It's been a four year wait for these licensed projects to be realized. What's the key to making the numbers work? Why could we do it today and not in 2014?

The license fees were in Turkish lira, and they were very high. So, with the Turkish lira's devaluation over the last three years, and with the government payment – the FIT – paid in U.S. dollars, there are now good economics on that side. When the auction took place, the exchange rate was 2.4 (Lira/USD) and now is above 4 (Lira/USD).

And a developer only pays the license fee once the project is connected. Is that correct?

Exactly, so there are three equal parts in three years after commissioning.

Andreas Schuenhoff: During the first bidding rounds, where we were also bidding for the first 8 MW licensed project we had developed with Akfen Holding in Elazığ, the players who won the licenses actually priced depreciation of the Turkish lira into their bidding processes. They went to the maximum [depreciation] they considered was possible, and that gave them a competitive edge over the other guys bidding for the licenses.

And what is the significance of using Made in Turkey modules?

That has also slowed things down considerably. Mr Demirdağ and his competitors first had to get their 'ducks in a row' and module production lines up and running!

HDM: In 2014, I think there were no tier-1 module producers in Turkey – we had one in the Free Trade Zone, but that is not "in Turkey" [according to Turkish regulations]. But cost-wise, today the prices [for Made in Turkey] are competitive – it has to be Made in Turkey [under the licensing regulations], but the cost should be reasonable.

And bankable I assume?

Exactly, and bankable. We are proud to be able to sell our modules at reasonable prices, and bankable prices as well.

What is the time line for the project?

AS: It needs to be fully connected in October, otherwise you lose a whole year of FIT – so there is a very hefty 'fine' if we do not fulfill that deadline. We've had long discussions on how to assure the delivery before this deadline.

HDM: Next month, we will start to make the deliveries. Before the end of July, we will finish all the supply. So, when Asunim is working in the field the goods will be delivered.

AS: It is basically two 10 MW sites next to each other – making it fairly easy to manage from a distance perspective. It is a very large system, but it will hopefully be a lot easier than our 42 MW project in Izmir Province [in southwest Turkey], which were basically all these [1 MW] unlicensed systems in a very complicated terrain – with hills and small parts of the individual parcels that weren't suitable for installation.

I'm actually looking forward to the simplification of solar in Turkey now. The licenses and the gigawatt deal are going to make things more competitive and simpler. That's where the good, quality players will stay in the market.

What I predict for the Turkish market is that we will see industrial self-consumption on the rooftops, and it's what we are lobbying for heavily at the moment. We are trying to push that forward because it really makes sense for the Turkish industry, and large licensed systems.

Net metering systems as well, or something basically similar?

HDM: With a minimum 50% self-consumption maybe.

AS: We need to help the Turkish industry to be more competitive. They need to be able to have a lower unit and energy cost per product. This is happening worldwide as we speak, and I think that the Turkish government will also be very much in favor of that, especially if the modules are made in Turkey.

HDM: Today we met with the head of the renewables department in [Turkey's] Ministry of Energy – we had a closed meeting with him as producers, and he also announced that the government will take steps to keep the local producers.

Did he mention anything about inverters?

HDM: They also want inverters to be produced in Turkey, but of course the government cannot push everyone. In the first auction, it is written that if the local components are not available then the company can import – but if Turkey-developed inverters are available, even if the price is 10% higher than abroad, then the 1,000 MW [project developer] has to choose the locally manufactured inverter.

AS: There is a clear opportunity for inverter manufacturers to set up in Turkey, this hasn't really been mentioned lately. We know of a few players looking into that at the moment. Hopefully there will be more decentralized manufacturing with this logic.

HDM: I would also like to emphasize that Turkey is a chance for some European producers [to establish production]. Sometimes for them to go to China is impossible, but a two-hour flight to Turkey, with 80 million in population and a cost of labor that is very low [is attractive]. pv

Interview with Jonathan Gifford

> *"It is very gratifying for us to sell to someone who knows what good modules are"*