

Farming the Sun:

How to Finance Solar Projects for Agriculture



A growing number of farms and ag businesses are going solar, and for good reason. Over the last few decades, innovations in technology have made solar much more efficient and affordable. While utility prices continue to increase, solar pricing has declined significantly, making it viable for ag operations to experience true energy independence and benefit from low energy costs for years to come.

And thanks to a range of financing options, solar is easier to finance than ever. But before you make the decision to go solar, it's important to understand the various financing approaches.

Solar Financing Options

There are three basic ways to finance your solar installation, compared below:

Cash Purchase	Power Purchase Agreement (PPA)	Lease
One-time cost	No upfront capital cost	Zero or low upfront cost
Own the system hardware	Hardware owned and maintained by a third party	Hardware owned and maintained by a third party
Payments during installation	Payments for solar-generated electricity at a predetermined rate per kWh consumed	Recurring payment for hardware lease and any remaining electricity costs

CASH PURCHASE

Strengths:

- Lowest cost of electricity
- Direct tax and depreciation benefits
- Greatest energy independence

Considerations:

- Upfront capital investment
- System cleaning/maintenance is owner's responsibility



Cash Purchase

The simplest way to finance a solar project is to purchase the system outright. Paying for the system upfront means you own the system and can take direct advantage of federal tax credits available for 30 percent of the system's cost, as well as any state or local rebates¹. And just like farm and ranch equipment, solar systems are capital expenses with accelerated depreciation benefits. Cash purchases can also be financed with third-party loans, and many ag businesses take advantage of low-interest financing available through farm credit bureaus or other local banks.

Once your system is up and running, you start saving on electricity costs immediately. The more electricity your system generates, the less you have to rely on electricity from the grid—giving you energy independence and better control over your electricity costs for years to come.

POWER PURCHASE AGREEMENT

Strengths:

- Low or no upfront cost
- Long-term price stability
- System maintenance included

Considerations:

- Requires detailed contract and thorough credit review
- Higher cost of electricity than cash purchase
- No direct federal tax or depreciation benefits



Power Purchase Agreements

Another option for ag businesses is to enter into a Power Purchase Agreement (PPA) with a third-party PPA provider. In essence, your land or facilities act as a "host" for the solar system, and you pay only for the electricity the system generates at predetermined rates, lower than what you currently pay the utility. There are low or no upfront capital costs, and the PPA provider pays for the cost of installation and assumes all responsibility for ownership, operation and maintenance of the system.

A well-structured PPA lets you immediately reduce electricity costs and increase savings over time as grid electricity prices rise. Once the PPA contract expires (typically 20-25 years) you can purchase the system at a reduced cost, initiate another PPA or have the solar installation removed.

¹ Tax credits and local incentives vary and are subject to change. SunPower does not warrant, guarantee or otherwise advise its partners or customers about specific tax outcomes. Consult your tax advisor regarding the solar tax credit and how it applies to your specific circumstances. Please visit the [dsireusa.org](https://www.dsireusa.org) website for detailed solar policy information.

SOLAR LEASES

Strengths:

- Little to no upfront costs
- Some protection against volatile electricity prices
- Immediate savings since reduction in grid electricity bill more than offsets monthly lease payments
- System maintenance included

Considerations:

- Requires detailed contract and thorough credit review
- Price of electricity is not “locked in”
- Higher cost of energy than cash purchase
- No direct federal tax or depreciation benefits



Solar Leases

A third option for solar financing is a lease. Like traditional farm equipment leases, solar leases provide for immediate use of the solar equipment in exchange for a lease payment. The electricity your system generates offsets your electricity bill, lowering your utility payment.

The combination of lease payments and lower utility bills typically provides for an immediate reduction in electricity costs and increased savings over time as grid electricity rates rise. At the end of the lease term (10-20 years), you can purchase the system at a reduced cost, renew the lease or have the system removed. The tax credits typically get passed along to you in the form of lower lease payments.

REAPing More Benefits of Solar

The USDA offers agricultural enterprises grant funding to offset up to 25% of a solar system's cost (up to \$500,000) through the [Rural Energy for America Program \(REAP\)](#). Grant submissions are accepted twice a year for projects under 50kW and once a year for projects above 50kW. For more information on the REAP program, contact your state's USDA Rural Development Energy Coordinator, or your solar sales representative. For specific information on renewable energy incentives and policies in your state, visit www.dsireusa.org.

Finding the Solution That's Right for Your Business

Every financial approach to solar has its pros and cons, and depending on your situation and tax appetite, one approach may be better than another. The real question is, how can you get the most clean energy for the least amount of money over time?

For more than 30 years, SunPower has been a world leader in solar technology. Our custom financing solutions deliver the best value for your company today, and tomorrow. Let us walk you through the options and provide a simple but thorough analysis for your business.

To find the right financial solution for your business, [contact us](#) for a solar cost analysis.

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