

# SUNERGISE

Fiji



**Investment  
Case Study**

By Dr Tracy Berno

# SUNERGISE



## Country



## Sector



## Type



## Background

Founded in 2012 Sunergise is a New Zealand company that serves the Pacific Island and New Zealand markets as the first pan-Pacific solar power utility. CEO Paul Makumbe said that Sunergise's vision arose from his personal commitment to addressing climate change and sustainability, and the subsequent opportunity that the founding partners envisaged to change the way that power is produced and consumed across the Pacific region. Sunergise's core business is to deliver to corporate customer's affordable, clean power for no capital down. Sunergise uses a vertical integration approach and designs, finances, installs, monitors and maintains each custom solar system without charging any upfront costs. Customers, in-turn, sign a Power Purchase Agreement (PPA) for a duration of 10-20 years and pay monthly for the power produced at a lower unit cost than what they would have paid for from the grid. The success of this model, which replicates a proven business model from the USA, has been driven by customers' ability to adopt cheaper,

cleaner power without upfront capital expenditure. Sunergise works in partnership with partners Clay Energy (Fiji-based) who provide the Engineering Procurement and Construction (EPC) services for the installations.

Founding partner and CEO Paul Makumbe is Zimbabwean by birth. After completing a Masters in Finance, Management (Finance) at Massey University in 2001 he embarked on a career outside the renewable energy field, but one that included positions in the South Pacific region. His past roles included that of GM of Pacific Islands for Brightstar Corp, (responsible for establishing Brightstar's business in the Pacific), CEO of Oceanic Communications Limited and Head of Card Services at Telecom New Zealand.

It was through his interests in climate change that Mr Makumbe and his business partners came to

investigate solar power as a business opportunity. Before finalising his company offer, three months was spent in the USA investigating the solar power industry and various business models to develop a “uniquely Pacific solution”. After “doing the numbers” Mr Makumbe came to the conclusion that investing in solar power in the Pacific “made sense”.

Sunergise’s flagship project was the installation of a 122 KW 700 photovoltaic cells system installed at the marina at Port Denarau Marina in Fiji in 2012. Port Denarau Marina is part of the Skeggs Group Ltd., a New Zealand-based private company. The Port Denarau solar installation is the largest solar power system installed for a marina in the world. It is also Fiji’s largest on-grid commercial solar power generator with a generating capacity of 190,000kWh per year. Port Denarau Managing Director Nigel Skeggs (also interviewed) was committed to reducing the Port’s carbon footprint as well as ensuring that the Marina was a “clean, green” operation, working to international (New Zealand and Australian) standards. Initial inquiries made by Mr Skeggs suggested that going solar would cost in the range of \$2 million, and a decision not to proceed was made. However, when Mr Skeggs became aware of Sunergise’s business model, he “said yes immediately”. His decision was based on the ability to use Sunergise’s capital for the installation, which allowed him to divert capital to the revenue generating areas of the business, while at the same time enjoying decreased electricity costs. Mr Skeggs reported that this afforded him the opportunity to: (1) achieve his environmental goals; (2) reduce the Marina’s reliance on the Fiji Electricity Authority (FEA); and, (3) continue to invest in the Marina development. Since the initial installation in 2012, Port Denarau Marina has had a further two installations fitted. Mr Skeggs spoke very favourably about his experience with Sunergise and “would do another [installation] tomorrow”. He is currently investigating “more inventive ways of solar” for further developments, including the use of a solar green roof.

More recently, Sunergise won the Sustainable Energy Association of New Zealand’s Industry Award for the largest solar PV implementation for the Sunergise installation at Iririki Resort, Vanuatu. The 800kW off-grid hybrid installation at Iririki is the largest off grid system for a resort in the Pacific region. In December this year, Sunergise also won Best Large Business Operating Internationally at the 2016 Supreme Award winners for the Westpac Prime Minister’s International Business Awards in Fiji.

**Mr Skeggs spoke very favourably about his experience with Sunergise and “would do another [installation] tomorrow”.**

At the time of writing, Sunergise has a presence in five Pacific countries (New Zealand, Fiji, PNG, Solomon Islands and Vanuatu) and solar installations in 12 countries. The company employs 54 people, 40 of whom are based in Fiji. The staff comprise primarily local Pacific Islanders (there are two expatriate staff in Fiji), but only six women. CEO Paul Makumbe said that this was due to the technical nature of the positions and the under-representation of women in the field in general.

## **Growth of Sunergise**

Sunergise has only been present in the market for four years, but has grown a significant presence in the South Pacific in that time. When asked about the experience of establishing the business, Mr Makumbe indicated that “it [was] difficult”. For the first two years, the company was self-funded. Mr Makumbe described the context as being difficult due to sources of capital in Fiji very limited and restrictions on capital flows between countries pro-

hibitive. The regulatory environment with respect to renewable energy was in its infancy and the banking system not as sophisticated as that of New Zealand and Australia in renewable energy financing. Mr Makumbe described the banks as being security focused with access to capital being available primarily for existing businesses, not new start-ups. As a result, although Pacific countries want foreign investment, it is hard for new entrants to start from nothing; initial capital is generally required. He also commented on the length of time required (in his case, eight months) to register a business. This however, is getting quicker he said. Mr Makumbe found the Fiji Trade and Investment Bureau (FTIB) to be helpful and supportive, particularly in identifying and facilitating introductions, describing them as "open for business". Mr Makumbe also indicated that there was "no substitute for being on the ground", and that he spent six months in Fiji before establishing Sunergise, then lived in-country for the first two years of its operation. Mr Makumbe stressed the importance of being able to "knock on doors" and meet with people in person. This

he said, helped "cut through the BS quickly", and helped establish trusted relationships with regulatory authorities (i.e., market enablers).

As a new and unknown business, Sunergise's partnership with Clay Engineering facilitated credibility in the market. While Sunergise was only established in 2012, Clay Engineering had a solid track record in the South Pacific based on its 15+ year's operating experience. This allowed Sunergise to exploit Clay's reputation for quality, reliability and speed of delivery. This was particularly important as one of Sunergise's strategies was to identify and approach "Blue Chip" corporate customers – those with good credit ratings. This was important as Sunergise needed to be confident about payment for the length of the purchase agreement (typically 10 years or more). The composition of the Board of Sunergise has also played an important role in the company's success by building credibility with financial institutions. Board members include Bob Lyons (Managing Director ANZ Banking Group from 1965 – 2008;



Source: Image sourced from <http://www.sunergisegroup.com/customers/>

Chairman of Fiji Development Bank; Chairman of Kula Fund II (private equity) Investment Committee) and Danny Kennedy (founder of Sungevity, America's second largest third party solar financing company; campaigns manager for Greenpeace Australia Pacific). As a result, Sunergise realised backing from the Fiji Investment Bank's sustainable energy financing facility, along with backing from the World Bank's International Finance Corporation (IFC). This brought additional credibility and reassurance that the company's due diligence is solid.

**It is helpful to think of the Pacific as one market (i.e., a single market of seven million people) rather than engaging in "portfolio thinking."**

As discussed above, Sunergise has a presence in five countries and installations in 12. When asked about investing in a range of Pacific countries, Mr Makumbe indicated that Fiji was the "easiest" as it was more direct and transparent when it came to market enablers and regulatory environment. PNG was described as "challenging", giving the example of an installation in that country that took one year to connect. Vanuatu was also described as being "horribly slow" and that both countries have a lot to do to encourage new start-up private sector investments. Mr Makumbe believed that established businesses in those countries were familiar with and able to "work the system" and as a result, there was little incentive to change. He also described a lack of systems at the government level and that the regulatory environment for renewable energy was almost non-existent.

Another challenge identified was that of finding staff. Mr Makumbe said that there was a shortage of suitably qualified engineers in the region and that finding enough engineers was as important as finding enough capital.

## **How to Facilitate Investment**

Mr Makumbe felt it was important that entrepreneurial activity be encouraged in the Pacific, suggesting that investment could be encouraged from New Zealand investors. He emphasised that these should be new start-ups and not established businesses. With many Pacific countries being demographically young nations with much of their populations under 30 years old, Mr Makumbe believes that funding for an incubator-type institution would be helpful to help young entrepreneurs develop products and solutions specifically for Pacific countries. He suggested that this could be facilitated through Centres for Entrepreneurship in Pacific countries that matched young entrepreneurs with New Zealand companies as mentors, thus nurturing up and coming entrepreneurs outside of established businesses. Mr Makumbe also suggested that it is helpful to think of the Pacific as one market (i.e., a single market of seven million people) rather than engaging in "portfolio thinking".

In terms of the success of Sunergise, he suggested that incoming investors should:

- Do their homework
- Be on the ground
- Do not "fly-in; fly-out" (he described the culture as one in which the investor needs a physical presence in-country)
- Have a source of outside capital, as the banks are unlikely to lend

## Growth into the Future

Mr Makumbe has ambitious goals for the future of renewable energy and Sunergise in the Pacific. Asked if he considered Sunergise a success he indicated that he had not yet achieved his objective, which is to phase fossil fuels out in the Pacific region and to be the largest operator of solar assets. Now that he has “proved a concept”, the next phase for Sunergise is to scale into sustainable business all key components available in country – in other words, to scale up and make local solutions to catalyse local communities to invest in renewable energy. The specific focus of the next two years is on PNG, Vanuatu and the Solomon Islands, countries in which there is low energy access. There are also plans to start in Samoa and Tonga. Within the next five years, Mr Makumbe would like to see 70 – 80 megawatts installed across the region and to have a Sunergise presence in 10 countries.



Source: Image sourced from <http://www.sunergisegroup.com/customers/>