

Deal focus: GSSG sharpens focus on Japan solar



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A turnaround in Japanese government policy on solar power is responsible for a renaissance in the renewables space. GSSG Solar has earmarked its entire corpus of its \$120 million second fund for deployment in the country

The sun has been depicted on Japan's national flag since the 1800s, so it's not hard for solar investors to see the country as a long-termer when it comes to culturally embracing this timeless source of power. Yet Japan's emergence as arguably the hottest solar market in the world has hardly represented the culmination of a long, gradually building story.

In the few years since the Fukushima nuclear disaster and the ensuing energy diversification legislation, Japan has experienced a stark role reversal in solar. Global operators have a unique perspective on this renaissance, with portfolios becoming increasingly weighted towards what used to be a relatively fringe jurisdiction for the sector due to land scarcity issues.

US-based GSSG Solar is a case in point. The solar-focused GP built up a portfolio of 300 megawatts in the US and 175 MW in Japan under its first fund. The successor vehicle, which recently closed at \$120

million , will be wholly deployed in Japan. Fund II will support a broader agenda of installing \$1 billion of mega-projects in the country across a three-year period, starting with 350 MW of new acquisitions. No specific targets have been declared, but negotiations are underway for a number of potential development sites.

“Any project we look at has local risks and nuances, but at the end of the day, they’re under a well-structured feed-in tariff that allows for scale,” says Tomakin Archambault, GSSG’s CEO and managing director. “Compared to other markets, there’s a lot more opportunity in Japan to structure a recurring investment thesis in a low-risk currency with long-term yield.”

Members of GSSG leadership had initial meetings with trading houses related to solar in the early 2010s, when a majority of solar business in the country consisted of bringing Japanese investors to the US, or helping US operators access Japanese technology. The implementation of the country’s feed-in tariff scheme in the wake of Fukushima has inversed this flow of investment dramatically. Rapid internationalization of the local solar market is now said to be contributing to the addition of nearly 10 gigawatts to nationwide energy infrastructure capacity every year.

For its part, GSSG has raised more than \$2.5 billion in total – mostly for Japanese investments – and backed some 100 projects, including 2.6 GW of acquisitions. While much has been said about a possible overheating of the Japan market due to surging foreign interest, long-term investors remain upbeat about ancillary industries and a macro view of favorable supply-demand dynamics.

“We’re keeping our eye squarely on the [energy] storage market, which obviously complements solar,” says Archambault. “In Japan, there’s a scarcity of domestic resources – except for the sun. That’s why it has become one of the most efficient economies in the world and why we see a real opportunity long-term for solar to play a big role in the country’s energy future.”