



Illum China: Building a Brand in the Chinese Photovoltaic Sector

Illum China (www.illum-china.com) is an Italian developer and investor in industrial solar power plants in China. Illum China was founded in 2016 by three Italian entrepreneurs with ten-year experience on development of solar power plants in the Italian market under the name Illum (Italy).

Illum China stepped into the Chinese market following the opportunity of the Chinese photovoltaic Feed-In Tariff policy, implemented by Chinese government to boost investments in solar roof powerplants. Despite the initial challenges caused by the small size of the company, the difficulty of getting financial support and cultural differences, Illum China in 2017 completed successfully the first megawatt-size powerplant on an industrial roof in China.

Type of business: Photovoltaic industrial roofs in China
Operation history in China: 2 years
Company size in China: < 10 employees
Target market: Foreign companies owning facilities in China

1. Company Background – Italian roots and expansion in China

Illum-China is a WOFE company - 100% Italian, registered in China in 2016, with granted business scope to operate on the Chinese market to design and build green-energy power plants and to sell electricity to private companies and/or Chinese national grid. Illum China is an engineering and development company with consolidated experience in photovoltaic power plant construction on industrial roofs in Europe, (through the sister company ILLUM Italy), which has been focusing on construction of photovoltaic power plants since 2006 in Italy and other European countries.

Following Policy Solar Winds

Since 2015 the Chinese government introduced new policies to promote PV solar roof plants in China. China policymakers are extremely committed to the transition from coal to green energy, recently implementing a solid feed-in-tariff mechanism sparking the momentum to make PV roof power plants viable and profitable. Illum-China is one of the few foreign companies incorporated in China to obtain local licenses to invest and build solar power plants and sell green-generated energy.

Untapped Market

Illum-China's key clients are the foreign-owned industrial building's roofs in China. This still represents an untapped market, since other Chinese PV EPC and PV investment companies normally target Chinese-owned industrial roofs for their investment. Most foreign-owned companies face high language and bureaucratic barriers especially in relation to Chinese government's financial support plans. Illum-China, therefore, can provide an easier foreigner-to-foreigner interface to manage all the issues related to the authorisations, the construction and the connection of a solar powerplant in China.

The decision to expand the business in China has been taken considering the huge amount of foreign-owned industrial roofs in China and the strong stimulus given by the Chinese government. It has proved to be a

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winning business strategy. For example, Ilum-China has successfully completed the biggest solar roof power plant on an Italian manufacturer in CHINA (LPR auto parts Zhuhai) which then became the FIRST ITALIAN GREEN auto parts manufacturer. The power plant, boasting 1.1 MWp installed capacity, is covering 14.000 m² of roof, for total EUR 1.2m investment. In 2017 ILUM-CHINA also built the first solar power plant on Tongji University Yunchou building in cooperation with Italian Ministry of Environment, Land and Sea.

In addition, Ilum-China has also signed a milestone agreement with BRILLIANT-CHINA, an international logistic real estate developer funded by Carlyle group whereby Ilum-China will develop power plants all over the roofs of the logistic warehouses owned by BRILLIANT-CHINA for a total amount of over 250,000 m² of rooftop plants, equal to total 20 MWp of installed solar power capacity. In 2018 and 2019 the company expects further growth in its solar investment operations in China.

2. Biggest challenges in expanding the business to China

<i>Mentality and language barrier</i>	Competence in the local language and mentality is mandatory when entering a foreign market, as this ensures the required level of communication needed to avoid the “lost in translation” effect. This issue was overcome by implementing a team of Chinese talents and granting the team with a wide range of independence on the management of the relations with government branches and local suppliers.
<i>Establishing solid relations with China-based suppliers</i>	<p>Ilum-China deals with a wide range of local suppliers providing either goods or services as workforce for example. When it comes to guarantee a smooth success of the construction operation, difficulties (timing, quality, and construction problems) may arise.</p> <p>It is fundamental to establish a deep-trust relation with the goods and services providers, committing to a problem-solving attitude rather than rushing to alternative suppliers.</p>
<i>Building a network of clients who share our vision for a green future</i>	Expanding in the Chinese market has proven to be a significant task. Efforts made by the company’s team have helped to tackle this point by seeking the support of the China Italy Chamber of Commerce, European Union Chamber of Commerce in China and Italian Consulate in Shanghai.
<i>China Public Administration and public relations</i>	<p>To overcome this issue in Q2 2016, Ilum-China signed a partnership agreement with China Southern Power Grid (CSPG), a China state owned electricity provider.</p> <p>The scope of the agreement is to cooperate with CSPG to connect power plants to the grid and to facilitate installation of the PV power plants. The agreement provides Ilum-China with a solid downstream operation partner to ensure successful and on-time installation and connection works.</p>
<i>Seeking for international equity investors</i>	<p>Ilum-China is looking for international equity-investors to partner in the implementation of the PV pipeline. So far, the financial support and the research of a strong financing partner is the crucial challenge Ilum-China is facing with tenacity.</p> <p>The activity of scouting for investors is currently carried out directly by Ilum-China, which is targeting potential investors and reaching them with investment proposals. A very good support to this specific activity has been provided by the Italian Consulate which proactively provided guidelines for strategy and general information about investor areas.</p>

3. Strategies to grow visibility

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- Personal relations supported by the influence and reach of social media, such as WeChat and LinkedIn.
- Network by being an active member of the China Italy Chamber of Commerce and by participating to CICC's Energy and Environmental Protection Working Group's activities.
- Subscribe to the European Union Chamber of Commerce to reach out to all the European companies owning facilities in China.
- Increase visibility through, publication of articles on journals. (see below links to the publications)

www.ilpiacenza.it/economia/shanghai-alla-ilum-china-il-prestigioso-premio-panda-d-oro-5497342.html

www.piacenzaonline.info/la-lpr-cina-punta-sul-fotovoltaico-viene-premiata

www.ciaocomo.it/2018/06/15/shanghai-alla-ilum-china-prestigioso-premio-panda-doro/159397

www.ilum-china.com

www.cameraitacina.com/sites/default/files/2018-05_ilum-china_-_lpr_zhuhai.pdf

4. Recommendations to EU SMEs

The decision to expand the business in China has proven to be a winning business strategy for Illum so far and it is firmly believed that the following has helped:

- Fixed presence of an Illum cofounder in Shanghai. It's essential to have an office and a member of the Italian management team in China.
- Trusted employees of Chinese Nationality. A winning strategy includes the ability to truly listen to their advice.
- Be ready to invest. Today's Chinese market is still in constant growth, but not anymore at its infant stage. This is why EU SMEs which are considering expanding the business to the Chinese market should be ready to make an initial investment and to wait patiently for the first results to come.

About the EU SME Centre

The EU SME Centre helps EU SMEs prepare to do business in China by providing them with a range of information, advice, training and support services.

The Centre is implemented by a consortium of six partners – the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAMBRES, and the European Union Chamber of Commerce in China. All services are available on the Centre's website after registration, please visit: www.eusmecentre.org.cn

For this case study the EU SME Centre has partnered with the China-Italy Chamber of Commerce (CICC). The publication aims to help EU SMEs gain an understanding of the challenges companies may face when accessing or expanding in the China market as well as offer practical tips on how to overcome them.

The China-Italy Chamber of Commerce (CICC) is the only business organization recognised by both the Italian Government (Ministry of Economic Development, MiSE) and People's Republic of China (Ministry of Civil Affairs, MoCA) that aims to boost the internationalization and settlement of Italian business and to promote the "Made in Italy" in the PRC. Established in 1991, CICC has now offices in Beijing, Chongqing, Guangzhou, Shanghai and Suzhou. The CICC Members (545 in 2017) represent the Italian business community such as public-invested and multinational corporations, small and medium-sized enterprises (both manufacturing and commercial), service companies etc. To companies settled in China and those with on-going business within the Chinese market, the CICC offers informative, training and business networking opportunities. Besides, the CICC qualifies itself as a voicing platform for them to share topics of common interest. To companies interested in strengthening their business in China, the CICC offers consultancy, assistance and marketing services. For more information about the activities of CICC, please visit: www.cameraitacina.com

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