Investment Committee of the InvestEU Fund
Meeting no. 20
8-10 November 2023

Conclusions

Sunfire solide oxide electrolyser (DE)

INVEU-ICR-0080-2023 – Research, Innovation and Digitisation Window (RIDW)

Short description of the financing or investment operation and its objectives

Final recipient/promoter	Sunfire GmbH
Type of final recipient	Mid-cap
Countries of implementation	Germany
Implementing partner	European Investment Bank (EIB)

The Project concerns (i) research and development related to solid-oxide (SOEC) electrolysers; as well as (ii) the required capital expenditures for early production capacity related to such SOEC electrolysers.

The activities will take place in the facilities of the promoter, Sunfire GmbH (Sunfire or the Company), in kreisfreie Stadt Dresden and the production capacity will be installed at the site of a contract manufacturer. Both locations are in Sachsen, Germany, which is a transition region. The Project runs from 1 January 2023 to 30 June 2026.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 10 November 2023 for the above-mentioned operation.

The Project fulfils the InvestEU objective of "Research, development and innovation", notably through projects that contribute to the objectives of Horizon Europe and research in the field of key enabling technologies (KETs) and their industrial applications. The implementation of an innovative advanced manufacturing facility in the EU creates significant long-term skilled employment, and it caters for the transition to the "hydrogen economy" which will be key to support the climate-neutral ambitions of the EU heavy industry. It is located in a Cohesion Region.

Sunfire is exposed to higher levels of risks associated to the nascent hydrogen supply chain, which is required to scale-up quickly in anticipation of regulation-driven future market demand, in order to timely contribute to the EU's climate objectives. The high failure rate of similar ventures in combination with its high financing needs, make for a risk proposal that is at the high end of the spectrum even for most commercial venture capital investors.

The equity-type venture debt that EIB provides is complementary to equity financing, as it (i) minimizes further dilution of existing shareholders; (ii) provides for longer tenors than usually associated to commercial venture debt; and (iii) is for an amount, thanks to the support of the InvestEU guarantee, that is meaningful, compared to Sunfire's liquidity needs. As the Company over time realises its growth ambitions, the presence of the EIB provides for a signalling effect and may catalyse Sunfire's first access to commercial long-term debt markets.

Conclusions

The EIB's equity-type venture debt will feature performance-linked elements and effectively share in the upside of the venture. EIB will also share in the downside as the investment will be materially exposed to the risk of the Sunfire venture (including high technical, market and financial risks).

The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without InvestEU.

Status: published January 2024
INVEU-ICR-0079-2023