

Excerpt from Climate Spectator, July 25, 2011

<http://www.climatespectator.com.au/commentary/us-clean-power-balance>

US clean power in the balance

An air of uncertainty hangs over the clean energy markets and the global economy as a whole, as the haggling in Washington continues and the US lurches inexorably toward a potential August 2 default on its national debt. Should such an event come to pass, clean energy project developers could be among the first to take it on the chin as interest rates spike. Default will also probably do little good for the traditionally volatile share prices of publicly-traded clean energy companies.

But what if somehow a deal gets struck before the stroke of midnight, August 1? Such a pact could have intriguing implications for the clean energy sector.

First, it is quite possible that the current \$US0.45/gallon "blenders' tax credit" for fuel blenders would get repealed, along with a \$US0.54/gallon tariff on imported ethanol, as Congress seeks to plug loopholes and raise revenues. As discussed by *Bloomberg New Energy Finance* in its research, eliminating these tax breaks would in the short run have little meaningful impact on US biofuels, which benefit from a national blending mandate on the books through 2022.

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More broadly, there is an exceptionally high degree of uncertainty in Washington at the moment, meaning there is an outside chance that clean energy could end up benefiting from this impasse. The sector clearly has far fewer supporters on Capitol Hill than it did prior to the 2010 elections. Still, as the horse trading between President Barack Obama, Speaker John Boehner, and other Congressional leaders takes place behind closed doors, virtually anything could be on the table.

Recall that it was not until the 11th hour and to nearly everyone's surprise late last year that the critical "1603 cash grant" programme originally established by the 2009 stimulus bill got extended through this year. As the clock ticks down to who-knows-what, it is anyone's guess what happens next.

For their part, investors in clean energy stocks did not appear any more worried about default than those in other equities. The WilderHill New Energy Global Innovation Index (NEX) rose 3.4 per

cent last week (as of midday trading in New York Friday). The 98-issue NEX outperformed the S&P 500, the Nasdaq Composite Index, and the MSCI AC World Index.

In other news, Copersucar, a cooperative representing Brazilian sugar and ethanol producers, withdrew plans for its initial public offering. The group had hoped to raise BRL 2.7 billion (\$US1.7 billion) but cited an "unfavourable market". Copersucar was to use proceeds to build an ethanol pipeline. Such a move clearly would have made Brazilian ethanol exports more viable in the US without the current import tariff. Poor infrastructure has long hampered Brazilian producers looking to further globalise their biofuel output.

Elsewhere, Silicon Valley-based electric vehicle maker Tesla Motors said it would supply approximately \$US100 million in power-train equipment to Toyota Motor Corporation.

Finally, there was one important policy development in China. Officials there have set provincial quotas for wind energy generation in an effort to ease pressure on the power grids. As of the end of March the amount of inactive power from wind in the country totalled almost 25 per cent of total installed capacity. Few specifics were disclosed on how many megawatts will be allowed.