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<http://www.climatespectator.com.au/commentary/wider-markets-sneeze-cleantech-shares-catch-cold>

## Wider markets sneeze, cleantech shares catch cold

It takes a strong constitution to be an investor in quoted clean energy shares. On Monday, the WilderHill New Energy Global Innovation Index, or NEX, which tracks the performance of 98 clean energy shares worldwide, fell to 188.33, down nine points in a week. That, in itself, was not remarkable – wider markets also fell, and indeed the US S&P 500 index dropped 50 points, or 3.7 per cent, in the same week on worries about the US debt ceiling deadline. What marks the NEX out as different is that its close on Monday was its lowest level since the beginning of September 2010. In the same period, by contrast, the S&P had advanced 23 per cent.

The under-performance of clean energy shares in the last year – in fact in the last 18 months – has come despite record levels of investment in wind and solar. It reflects pessimism about the effect of cash-strapped government budgets on subsidies for clean energy around the world, and pessimism about the ability of renewable energy manufacturers to protect their profit margins.

Last week, there was a sharp rise for at least one clean energy stock. Shares in Hansen Transmissions, the Belgium-based wind turbine gearbox maker, jumped 92 per cent after it agreed a £444.8 million (\$US729 million) takeover bid from German company ZF Friedrichshafen. The bid came in at a premium of 96 per cent to Hansen's share price immediately prior to the announcement, but long-term investors will not be celebrating because it was pitched 80 per cent below the peak share price reached in the summer of 2008.

The fifth edition of *Bloomberg New Energy Finance's* Wind Turbine Price Index, published last week and based on confidential contract data from 34 buyers and sellers, revealed further downward pressure on hardware prices in the first half of 2011.

Over the last year, the worst performing shares in the NEX have

mostly been generating equipment makers – German solar manufacturer Q-Cells falling 76 per cent, Chinese turbine maker China High Speed 69 per cent, UK-listed solar ingot producer PV Crystalox 67 per cent, and Danish wind turbine giant Vestas 62 per cent.

The few spectacular gainers in that year have included Chinese polysilicon supplier GCL-Poly, up 156 per cent, and Takuma, the Japanese waste-to-energy generator, up 105 per cent.

What could bring to an end, and reverse, the NEX's under-performance, now amounting to some 35 per cent relative to the S&P 500 since the beginning of 2010?

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The key to the future direction in clean energy share prices may well be government policy. At the beginning of this week, there was at least the glimmer of an intriguing twist in Chinese policies to encourage investment in solar energy.

On Monday, Beijing set a price for electricity supplied by PV projects approved under non-competitive tenders. Grid operators will pay solar developers 1.15 yuan (18 US cents) per kilowatt-hour, the National Development and Reform Commission said on Monday. The projects must have been approved before July 1 and be completed by the year-end. Projects approved after July 1 will supply power at 1 yuan per kilowatt-hour, according to the top economic planning agency.

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