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<http://www.climatespectator.com.au/commentary/buffetts-renewable-force>

Buffett's renewable force

The bond market will again be tapped to mobilise funding for the \$US2.4 billion Topaz Solar Farm in California. This news last week was expected given the warm response to the first bond issue in February by Warren Buffett's MidAmerican Energy Holdings.

Things have moved fairly fast for the 550MW project, which MidAmerican Energy bought in December from First Solar. A bond issue last month – the first for a major US solar project without a government guarantee – sought to raise \$700m but ended up with a subscription of \$1.2 billion. The offering size was subsequently increased to \$850 million. The bonds were rated investment grade by Fitch, Moody's and S&P.

The second tranche will probably cover the balance of the \$1.27 billion debt needed to complete the plant, which will use First Solar thin-film panels and its engineering, procurement and construction services.

Bond issuance for clean energy projects has historically been limited for a variety of reasons, but that is changing as the sector matures and as investors understand the risks and rewards of renewable energy. *Bloomberg New Energy Finance* expects the bond market, and institutional investors, to play an increasingly important role in the financing of clean energy infrastructure.

Buffett has been snapping up wind and solar assets. "Many more wind and solar projects will most certainly follow," he said in his annual letter to Berkshire shareholders in late February. MidAmerican is 89.8 per cent owned by Berkshire Hathaway.

Meanwhile, the companies with US government guarantees seem to be passing through a challenging phase. The latest round of bad news came from Abund Solar, the maker of cadmium telluride thin-film photovoltaic modules that received a \$400 million loan guarantee to build two factories. It announced the cessation of production of its

first-generation solar modules last week to make a transition to producing next-generation panels with higher efficiencies of conversion by end-2012. The move involves firing 180 employees.

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Solar manufacturing companies in the US – including another loan recipient, Solyndra – have claimed that unfair competition from China is the cause of their troubles. The counter-argument is that both Western and Chinese companies have been finding the going tough because supply of modules has expanded far ahead of demand over recent years. The result has been a crash in prices – good for the buyer, but not for the manufacturer.

On the stock market last week, the WilderHill New Energy Global Innovation Index, or NEX, which tracks the performance of 97 clean energy stocks worldwide, gave up some of its gains from the early weeks of this year.

The index slipped from 144.30 at the close on Monday February 27, to 136.97 early in the trading session on Tuesday March 6. The slide reflected mainly general stock market sentiment – clean energy stocks are volatile and tend to magnify wider market movements, both on the upside and the downside.

The NEX started 2012 at 127.06. Its all-time high was 468.75 in early November 2007.

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