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Global downturn sapping renewable energy sector

LONDON: For the young and growing renewable energy industry, the timing of the global downturn could not be worse. Bank credit and investors' cash have dried up just as the sector is most in need of money to build expensive wind farms and solar arrays to meet governments' clean power goals.

Public financing and tax incentives in the United States and possibly Europe are likely to provide some support, but they cannot entirely replace disappearing private investments and will take months to materialize, industry analysts say.

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Stockholders are getting pounded as well. Alternative energy investment funds, which climbed sharply from 2005 to 2007, have slid to 40 percent of their peak values. The WilderHill New Energy index of "clean" power companies sank from more than 450 in December 2007 to around 170 this month.

Will investors get their money back? "Eventually, probably yes, but how long I have no idea," said Michael Liebreich, chief executive of New Energy Finance, which helps publish the WilderHill index.

In the months before the sector began declining, he said, its popularity soared on the strength of growing public awareness of the threats from climate change. Banks and investment managers with little expertise in the area started guiding clients into alternative energy funds, driving up valuations.

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Liebreich, of New Energy Finance, said that once credit conditions loosened, "clean energy is very well positioned. A wind farm that's producing electricity and selling it to a utility with a fabulous credit rating is a great thing to lend money to, much better than lending it to some credit card owner or industrial real estate."

He predicted that investment in the sector would be about the same this year as in 2008, although other analysts were more pessimistic. "It's not going to be a go-go year, but it's not going to be a bust either," Liebreich said.

Sims, of the IEA, said that efforts to curb climate change would continue for decades. "The current credit crunch will disappear in maybe one year or two years, or five years. So the sensible process is to give long-term vision to where we want to be in 50 years' time rather than in five years' time."

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