Excerpt from Financial News, November 20, 2007
http://www.financialnews-us.com/?page=ushome&contentid=2449214238

Venture capitalists lured by alternative power

Catherine Craig and Nicolette Davey

Diversification of renewable energy portfolios is needed to combat investors' uncertainty about the sector

The move last week by former US Vice-President Al Gore into climate change investment highlights the growing urgency for investors to become serious about global warming. Gore joined US venture capital firm Kleiner Perkins Caufield & Byers to support its investments in clean technology.

Concerns that the rush to invest in opportunities in clean technology may cause a bubble are offset by growing evidence that this risky area is underinvested and undermined by fears of a dotcom-style collapse.

New Energy Finance, a provider of information and research to investors in renewable energy, low-carbon technology and the carbon markets, reported that private equity and venture capital investment in clean-energy companies in the Americas, Europe, the Middle East and Africa rose by 50% to $11.9bn (€8.1bn) in the third quarter this year, compared with the same period last year.

Alice Chapple, director of sustainable financial markets at development organization Forum for the Future said: "In the context of what's needed from technologies to stop CO2 emissions, only a fraction of the money required to combat the effects of climate change are going into the sector."

….

Financial News examines four sectors in which investors are looking for returns.

Wind: least risky

Wind power accounts for 5.5% of energy produced in Germany and the UK is targeting up to 10% of electricity production to come from renewables, with wind at the forefront, by 2010. Citigroup analysts said in May the best jurisdictions for investment were those with regulated feed-in tariffs attached to wind energy, including Spain and Italy.

….

Solar: biggest attraction

Despite perceptions that wind is one of the more stable green investments, solar power has attracted the biggest portion globally of venture capital and private equity investment. According to New Energy Finance, solar gained the highest number of investments in the US with 72 deals worth $971m in the year ended October 2007.

In the US, venture capitalists are the biggest investors in solar power whereas in Europe private equity has shown most interest, with $732m dedicated to the sector, according to New Energy Finance.

The WilderHill New Energy Global Innovation index reported this month that solar stocks were the strongest performer, gaining 25% in the third quarter of this year. New Energy Finance attributes this growth to the continuing shortage of silicon.

….

Biofuels: less enthusiasm

….

According to research by New Energy Finance, the biofuels sector is experiencing “less enthusiasm” for raising expansion capital as well as “margin squeeze”. It also found venture capital and private equity investment in the sector globally to have almost halved to $227m in the third quarter compared with $602m in the first quarter.

The fall has come despite rising oil prices and amid a backlash of public opinion because of the side effects on developing countries, said New Energy Finance.

….

Efficiency: logical next step

….

After solar, wind and biofuels, energy-efficient technologies accounted for the largest amount of investment in Europe, the Middle East and Africa in the third quarter this year, according to New Energy Finance. Chapple said: “Where investors can perhaps add stability and a clearly effective piece of investment is in companies which promote energy efficiency.”

Conclusion

The message to investors seems to be based on diversification rather than focusing on a single asset, taking into account wind, solar, biofuels, carbon capture, energy storage and efficiency technologies.