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## Q1 2012 CLEAN ENERGY INVESTMENT SQUEEZED BY POLICY UNCERTAINTY

After clocking up a record in 2011, new financial investment in clean energy in first quarter of 2012 was the weakest since the depths of the financial crisis in Q1 2009

London and New York, 12 April, 2012 – Clean energy investment fell sharply in the first quarter of 2012, according to authoritative figures published today by research company Bloomberg New Energy Finance. New financial investment was down 28% from Q4 2011 to just \$27bn; it was 22% lower than the equivalent figure in the first quarter of last year.

New financial investment includes venture capital, private equity, public markets and asset finance, but excludes small-scale projects and corporate and government RD&D, on which Bloomberg New Energy Finance reports only annually.

The first quarter 2012 new financial investment total included \$24.2bn in asset finance of utility-scale renewable energy projects, such as wind farms and solar parks, plus \$1.9bn of venture capital and private equity investment in specialist clean energy companies. Just \$601m was raised on the public markets by quoted companies during the period.

Michael Liebreich, chief executive of Bloomberg New Energy Finance, said: "A \$27bn quarterly figure is not a disaster, but it is the weakest since the dismal \$20bn seen in the first quarter of 2009, when the financial crisis was at its worst.

"The weak Q1 2012 number reflects the destabilising uncertainty over future clean energy support in both the European Union – driven by the financial crisis – and the US – driven by the expiry of stimulus programmes and the electoral cycle. There is no sign of a rapid turnaround in either of these regions in the next 12 months. Clean energy technologies, particularly solar photovoltaics and onshore wind, continue to fall in price and approach competitiveness with fossil-fuel power – but politicians in many countries appear to be ducking the decisions that would ensure that the sector maintains its growth trajectory. We are seeing growth in some of the non-core markets around the world, but they will have a tough job replacing weakening demand in the developed world."

In the US, the key support mechanism for wind – the Production Tax Credit – is due to expire at the end of this year unless Congress agrees to extend it; while in Europe, governments in key countries such as Spain, Italy, Germany, Poland and the UK have announced cuts in incentives for renewable power projects, in some cases leaving investors guessing about their likely future returns.

Looking at the different categories of investment in Q1, asset finance of \$24.2bn was 30% down from the fourth quarter and 13% below that in the first quarter of 2011. There continued to be some large renewable energy projects financed – including the 396MW Marena Wind Portfolio in Mexico for \$961m,

the 100MW KVK Chinnu solar thermal plant in India for approximately \$400m, and the 201MW Post Rock Wind farm in Kansas, US, for an estimated \$376m.

The largest projects financed in Europe in Q1 – in the face of a difficult market for bank lending following last autumn's euro area crisis – were the 150MW Monsson Pantelina wind farm in Romania at \$317m, and the 60.4MW SunEdison Karadzhalovo solar PV plant in Bulgaria at \$248m.

Venture capital and private equity investment held up well at \$1.9bn, just 2% below that in the fourth quarter of last year and 6% higher than the first quarter of 2011. The biggest deals were \$130m in equity raised by US electric vehicle company Fisker Automotive, a \$102.6m injection into UK-based biomass-to-power firm Tamar Energy, and an \$81m fund-raise by US PV installer SolarCity.

Public market investment in clean energy of \$601m was down 12% from the fourth quarter, and 87% from the first quarter of 2011 – a plunge that was not surprising, given the poor performance of sector shares in the last year. The WilderHill New Energy Global Innovation Index, or NEX, which tracks the movements of 97 clean energy shares worldwide, fell 40% in 2011 and clawed back just 7% in the first quarter of 2012 as world stock markets rebounded.

The largest two public market deals in clean energy in Q1 were both initial public offerings by US companies in the biofuel sector — Ceres, a developer of genetically-modified energy crops, raised \$74.8m, and Renewable Energy Group, a maker of biodiesel, raised \$68.6m.

Liebreich said: "The outlook for investment in the remainder of the year remains difficult. The rapidly improving cost-competitiveness of renewable energy technologies is stimulating activity, particularly in developing countries. However it is becoming harder to see the sector worldwide beating last year's record, unless the storm-clouds lift in Europe and US congress stops bickering sends some clear signals about the importance of new energy technologies. Meanwhile, continuing improvements in the sector's economics mean that companies which survive these next few years, whether on the industry's supply or demand side, will be extremely well positioned for the next growth phase."

In 2011, overall clean energy investment, including the "financial new investment" measure calculated quarterly but also annually-calculated totals for government and corporate research and development and small-scale projects such as rooftop solar, was a record \$263bn. This compares to 2010's total of \$247bn and just \$54bn back in 2004. A final figure for 2011 will be published by mid-year as part of the UN Global Trends in Renewable Investment report, which will include information on late-reporting transactions from 2011.

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