

EMBARGOED TO 10AM GMT, 14 JANUARY

Monday 14 January 2013

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NEW INVESTMENT IN CLEAN ENERGY FELL 11% IN 2012

US, Italy, Spain and India were among the biggest decliners; while Japan and South Africa led the charge of "new markets"

London, 14 January 2013. Clean energy investment declined 11% in 2012, weighed down by regulatory uncertainty and policy changes in big markets such as the US, India, Spain and Italy. Sharply lower prices of solar and wind technology also provided downward pressure on investment volumes, though they allow higher installation levels per dollar of funding.

Today's figures from research company Bloomberg New Energy Finance, based on the world's leading database of transactions and projects in clean energy, show that overall global investment in 2012 was \$268.7bn, down from a revised figure of \$302.3bn in 2011. The 2012 investment total was the second highest ever, and five times that of 2004.

The highlight of the 2012 total for clean energy investment was a record \$67.7bn outlay by China, up 20% on the previous year thanks to a surge in its solar sector. Its total was more than 50% above that of the second-placed country, the US, with \$44.2bn. In 2011, the US pipped China for first position as investors rushed to take advantage of stimulus-related programmes before they expired.

Other strong performers were South Africa, which saw investment leap to \$5.5bn, from just a few tens of millions in 2011, as its tender process for wind and solar led to a string of large project financings; and Japan, where the fresh emphasis on renewable power after the Fukushima nuclear disaster in 2011 and the start of a new subsidy programme, helped investment soar 75% in 2012 to \$16.3bn¹.

Among countries experiencing falls in investment were the US, with a 32% drop in the face of worries during most of the year about the expiry of a key support programme² and competition from gas-fired projects; a 51% plunge in Italian investment to \$14.7bn as policy changes there curbed the country's solar photovoltaics boom; a 68% decrease in Spain to just \$3bn as its government announced a moratorium on subsidies for projects not yet approved; and a 44% setback in India, reflecting the expiry of incentives for wind, and fewer project approvals for solar.

Michael Liebreich, chief executive of Bloomberg New Energy Finance, said: "We warned at the start of last year that investment in 2012 was likely to fall below 2011 levels, but rumours of the death of clean energy investment have been greatly exaggerated. Indeed, the most striking aspect of these figures is

 $^{^{1}}$ The figures for South Africa, Japan, Italy and Spain exclude R&D.

² In the event, the Production Tax Credit for wind was extended to the end of 2013 as part of Congress' "fiscal cliff" deal at the start of this year.

that the decline was not bigger - given the fierce headwinds the clean energy sector faced in 2012 as a result of policy uncertainty, the ongoing European fiscal crisis, and continuing sharp falls in technology costs. Solar PV module prices, for instance, fell another 24% over the course of last year.

"Another message from the 2012 data is that investment is broadening rapidly, from established markets such as Europe, the US and China, to new ones in Africa, the Middle East, Latin America and Asia-Oceania. Australia, South Africa, Morocco, the Ukraine, Mexico, Kenya, Brazil, Ethiopia, Chile and South Korea were among the countries seeing at least one project of more than \$250m financed during the year."

Looking at the 2012 data in more detail, the new investment total of \$268.7bn was made up of five main parts. The largest of these was asset finance of utility-scale renewable energy projects, such as wind farms, solar parks and biofuel plants. This totalled \$148.6bn, down from \$180bn in 2011. Next biggest was small-scale project investment, primarily rooftop solar, which came in at \$80.2bn, up from \$76.5bn in the previous year. Corporate and government research and development totalled \$30.2bn in 2012, up marginally on 2011.

The other elements were venture capital and private equity investment in specialist clean energy companies, which fell 34% to \$5.8bn, its lowest figure since 2006; and public market investment in quoted companies. The latter fell 57% to \$5.1bn, the lowest since 2004, and down 80% on the peak figure of \$25.6bn in 2007.

The shrinkage in public market investment in clean energy has reflected the poor performance of clean energy shares in recent years. In 2012, the WilderHill New Energy Global Innovation Index, or NEX, which tracks 95 clean energy stocks worldwide, fell a further 5.5%, while broader indices gained - the US S&P 500 index, for instance, rose 13.4% during the year. At its low point last year, on 25 July, the NEX was down 78.2% from its peak in November 2007. By 10 January 2013, the NEX had rallied 27% from that summer 2012 low.

Merger and acquisition activity in clean energy is not counted as new investment, but is an important part of the sector's development. It totalled \$50.8bn in 2012, down 31% from the record figure of 2011. Within this, corporate M&A (as distinct from projects changing hands) was \$10.4bn, down 69% on the previous year and the weakest since 2004.

Solar was once again the dominant sector in terms of overall clean energy investment in 2012. It accounted for \$142.5bn, down 9% on its 2011 record. Wind saw investment of \$78.3bn, down 13%, while the third-largest sector, energy-smart technologies such as smart grid, energy efficiency and electric vehicles, suffered a 7% drop to \$18.8bn³. Biomass and waste-to-energy was the fourth largest sector, at \$9.7bn in 2012, but this was 27% down on the previous year's figure. Biofuels, the second largest sector back in 2006, saw investment fall 38% to \$4.5bn, while geothermal experienced a 39% drop to \$1.8bn.

The only sector to show growth in 2012 was small hydro (projects of less than 50MW). This saw a 17% rise in investment to \$7.6bn. For the first time, Bloomberg New Energy Finance also published a figure for total investment in carbon capture and storage projects worldwide, although this is being shown separately rather than being included in the clean energy total. CCS project investment was \$2.8bn in 2012, down from \$3bn in 2011.

³ This figure covers company and R&D investment in energy-smart technologies. It does not cover the roll-out or commercial sales of these products.

Among the largest projects financed in 2012 were four offshore wind sites in the German, UK and Belgian sections of the North Sea - Wikinger, Baltic II, Lincs and Northwind, at 400MW and \$2.1bn, 288MW and \$1.6bn, 270MW and \$1.6bn, and 216MW and \$1.1bn respectively. Also looming large in 2012 were the \$2.1bn financing of a 980MW small hydro portfolio on the Dnieper river in Ukraine; the Masen Ouarzazate solar thermal project in Morocco, at 160MW and \$1.2bn; the Marena onshore wind portfolio in Mexico, at 396MW and \$1bn; and the Mount Signal PV plant in the US, at 235MW and an estimated \$941m.

The largest venture capital and private equity deals of the year included a \$200m round for US solar installer SolarCity and a \$150m equity raising for Bloom Energy, a US fuel cell technology company. China Longyuan Power Group, a wind developer, achieved the biggest public market issue of the year, raising \$375m on the Hong Kong Stock Exchange.

Other countries not covered above showed mixed fortunes in terms of total investment in 2012. Germany saw a 27% fall to \$22.8bn, while France suffered a 35% decline to \$4.3bn and the UK a 17% retreat to \$8.3bn. Australia enjoyed a 40% gain to \$6.2bn, and Mexico a fivefold increase to \$2bn. Brazil saw a 32% decrease to \$5.3bn.

Bloomberg New Energy Finance has also published revisions to prior-year clean energy investment totals, to reflect fresh information on projects and deals during those periods. The 2011 total was revised up from \$280.3bn to \$302.3bn. Changes to earlier years were more modest - investment is now estimated to have been \$53.9bn in 2004, \$79.8bn in 2005, \$113.7bn in 2006, \$164.5bn in 2007, \$190.8bn in 2008, \$186.9bn in 2009, and \$251.1bn in 2010.

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Bloomberg New Energy Finance (BNEF) is the world's leading independent provider of news, data, research and analysis to decision-makers in renewable energy, energy smart technologies, carbon markets, carbon capture and storage, and nuclear power. BNEF has staff of more than 200, based in London, Washington D.C., New York, Beijing, New Delhi, Hyderabad, Cape Town, São Paulo, Singapore, and Sydney.

BNEF Insight Services provide deep market analysis to investors in wind, solar, bioenergy, geothermal, carbon capture and storage, energy efficiency, and nuclear power. The group offers Insight Services for each of the major emerging carbon markets: European, Global Kyoto, Australia, and the US, where it covers the planned regional markets as well as potential federal initiatives and the voluntary carbon market. Bloomberg New Energy Finance's Industry Intelligence Service provides access to the world's most comprehensive database of investors and investments in clean energy and carbon. The News and Briefing Service is the leading global news service focusing on clean energy investment. The group also undertakes applied research on behalf of clients and runs senior-level networking events.

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