

Press Release

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Clean energy investment down just 6.5% in 2009; Asia outstrips the Americas

Soaring investment in clean energy in Asia means it has outstripped the Americas during 2009, according to leading research firm Bloomberg New Energy Finance. Overall, new investment in clean energy slipped in 2009, but by less than had appeared likely. Full-year figures, based on actual transactions across all asset classes, show that new investment worldwide last year totalled \$145bn, down just 6.5% from the peak annual figure of \$155bn in 2008.

The key reason for clean energy's resilience during the worst world recession for 60 years was buoyant investment in Asia, particularly in the wind sector in China. In 2009, for the first time, total new financial investment in clean energy in Asia-Oceania, at \$37.3bn, outstripped that in the Americas, at \$32bn. Europe, Middle East and Africa continued to lead the world with \$42.2bn invested. While new financial investment fell 14% in the EMEA region in 2009, and dropped 25% in the Americas, it increased in Asia-Oceania by 25%, mainly driven by the wind sector.

The largest single part of the \$145bn total new investment in 2009 was \$91.9bn of asset finance – money invested in projects such as wind farms, solar parks and biofuel plants. This was down 5% on the total for 2008. A strong feature of asset finance in 2009 was offshore wind projects in UK waters, notably the 1GW London Array scheme. Investment in clean energy companies via the public markets came in at \$13.1bn, also down 5% on 2008. Investment in privately-owned companies by venture capital and private equity funds saw a much bigger decrease, with only \$6.6bn invested, down 44% on the previous year. Those three elements made up the new financial investment total of \$111.6bn, down from \$122.3bn in 2008.

The balance of new funding, to reach the global total of \$145bn, was invested by governments, corporations and property owners. Corporate research, development and deployment came to \$9bn last year, government RD&D was \$11bn and investment in residential small-scale projects such as rooftop solar was \$20bn. Both government RD&D and small-scale projects increased in 2009, helping to offset the effect of the recession on the sector.

Both Europe and the Americas saw investment knocked by the financial crisis. Most commercial banks reduced the amount of new credit offered to renewable energy projects, leaving public sector institutions such as the European Investment Bank and BNDES of Brazil to take up some of the slack. Stock market investors were wary about supporting equity issues by clean energy firms; initial public offerings were particularly scarce in the first half of the year before bouncing back in the second half. VC/PE investors, having continued to invest strongly through to the end of 2008, pulled in their horns in the first quarter of the year and have remained cautious thereafter, with many rationing capital due to concerns about the time it will take to raise further funds.

However, in China, investment surged. On public markets, the highlight was a \$2.6bn IPO by wind project developer China Longyuan Power in December, the largest clean energy IPO anywhere for two years. Asset finance was particularly active, with China investing heavily in wind and solar "mega-bases" – very large-scale projects with excellent resources far from centres of

* i.e. excluding corporate and government RD&D, smaller distributed projects, M&A and buy-outs

population. Overall Chinese wind new-build asset finance investment in 2009 was \$21.8bn, up 27%, with solar at \$1.9bn, up 97%.

Michael Liebreich, chief executive of Bloomberg New Energy Finance, said: "The 2009 global investment numbers are higher than we expected even just a few weeks ago. The outturn we are publishing today highlights two things – that clean energy remains a sector with strong long-term growth fundamentals even during hard economic times, and that Asia has arrived not just as a big consumer of energy but also as a heavyweight investor in clean energy capacity.

"China's focus until recently was mainly on building its domestic manufacturing base, particularly in wind and solar photovoltaics. What changed in 2009 was the focus on scaling up Chinese generation capacity to meet demand, which has clearly been identified as one of the ways it will meet its new commitment to bring down its emissions as a proportion of GDP," Liebreich added.

Figures for the fourth quarter of 2009, also published today by Bloomberg New Energy Finance, show that global new financial investment between October and December was \$27bn – down from \$32.9bn in Q3 but slightly up on the \$26.3bn figure attained in the fourth quarter of 2008. The former preliminary figures for new financial investment have been revised up for each of the first three quarters of 2009, to \$19.3bn in Q1, \$32.5bn in Q2 and \$32.9bn in Q3 – mainly to reflect additional information that has come to light on asset finance in Asia.

One of the more unexpected developments was the rebound in new public market fund-raising, with \$4.9bn raised in Q4 2009 and \$4.6bn in Q3. This compares with just \$1.2bn in Q4 2008 and almost nothing in Q1 2009. VC/PE investment was \$1.5bn, down from \$2.2bn in Q3 and \$2.4bn in Q4 2008. Asset finance in Q4 was \$20.6bn, down from \$26.1bn in Q3 and \$22.6bn in Q4 2008.

The value of M&A transactions in clean energy – including projects changing hands – was \$15.0bn in Q4, down from \$17.4bn in Q3, and, within that, the value of corporate acquisitions was \$5.6bn in Q4, down from \$7.2bn in Q3. M&A and refinancings are not included in the figures for total new investment in clean energy since they reflect money changing hands, not new investment in the sector.

Note: A more detailed breakdown of these and other figures on the full-year 2009, and fourth-quarter, investment is contained in a Fact Pack presentation, also published by Bloomberg New Energy Finance today.

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New Energy Finance Ltd was acquired by Bloomberg LP in December 2009, and became Bloomberg New Energy Finance.

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