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WORLD CLEAN ENERGY INVESTMENT HEADING FOR A DROP IN 2012, AFTER MEDIOCRE Q3

Morocco and Brazil are strong features, as third quarter investment slips 5% to \$56.6bn

London and New York, 9 October 2012. Global investment in clean energy totalled \$56.6bn in the third quarter of 2012. This was down 5% on the second quarter and 20% lower than in Q3 2011, explained partly by weaker figures from the US and India, and a lull in wind farm financings.

Today's figures, published by research company Bloomberg New Energy Finance, suggest that the full-year 2012 figure for investment in clean energy is likely to fall short of last year's record \$280bn¹. If so, 2012 would be the first down-year for world investment in the sector for at least eight years.²

The challenges facing clean energy in the third quarter continued to include policy uncertainty in key markets such as the US, the UK and Italy, and the dampening effect of low sector share prices on public market and venture capital investment. In addition, the recent sharp falls in the costs of wind and solar photovoltaic technologies have meant that the same megawatt capacity can now be purchased for significantly fewer dollars.

Michael Liebreich, chief executive of Bloomberg New Energy Finance, said: "The fact that 2012 looks like being a down-year is disappointing, but not surprising – indeed we predicted as much in January. The decline should not be exaggerated either. The third quarter figure was still well over \$50bn – roughly equivalent to investment in the whole of 2004."

The third quarter figures, drawing on the world's most comprehensive database of transactions in clean energy worldwide, show that asset finance of utility-scale projects such as wind farms, solar parks and biofuel plants fell 10% to \$32.3bn. There was a bigger reduction compared to the third quarter of last year, when asset finance reached \$49.5bn thanks in large part to the final throes of the US federal loan guarantee programme.

Liebreich said: "The location of some of biggest projects financed in Q3 this year highlight the geographical shift that is taking place in clean energy, with established markets such as the US, Europe and China losing momentum while newer markets in South America, Asia and Africa pick up steam."

The top three projects getting the financial go-ahead between July and September were the Masen Ouarzazate solar thermal plant phase one in Morocco, at 160MW and \$1.2bn; the Nareva and International Power Tarfaya wind farm, also in Morocco, and at 300MW and \$563m; and the Verace wind portfolio in Brazil, at 258MW and \$497m. The fourth largest asset finance deal was a Chinese wind farm, and the fifth an Australian wind project. The largest financing of undisclosed value was the

¹ The \$280bn annual figure also included government and corporate research and development – items that are difficult to calculate quarterly.

² Bloomberg New Energy Finance data in early 2010 showed 2009 as a down-year, as the sector suffered the impact of the world recession. However subsequent information on projects and deals lifted the 2009 total just above that of 2008.

Ukrhydroenergo Dnieper River Small Hydro Portfolio consisting of 22 projects with a cumulative capacity of 980MW in Ukraine.

Other categories of investment showed mixed fortunes. Small-scale projects, such as rooftop solar, are estimated to have amounted to \$21.3bn in the third quarter, in line with the previous three months and 11% up on Q3 2011. Germany has remained a strong small-scale solar market this year and, although Italy has dropped off sharply after the government brought an end to its generous subsidy offer, activity has been brisk in China, the US, Japan and the UK.

Investment in quoted clean energy companies on the public markets has remained very sluggish. It totalled just \$1.8bn in the third quarter, although this was enough to represent an increase of 47% on the second quarter and 28% on Q3 last year. The peak figure for public markets investment in clean energy was \$13bn way back at the share price peak in late 2007.

The biggest public market deals of the latest quarter were secondary issues, not initial public offerings. Solar cell maker Shanghai Aerospace Automobile Electromechanical Company raised \$302.8m, while US electric vehicle concern Tesla Motors harnessed \$225m.

Clean energy share prices bobbed around in Q3, but ended up almost where they started. The closing figure of 116.69 for the WilderHill New Energy Global Innovation Index, or NEX, which tracks 98 clean energy stocks worldwide, left it 8% down for the year as a whole.

Venture capital and private equity investors ploughed just \$1.3bn into clean energy firms in Q3 this year, down 20% on the second quarter and 34% lower than the third quarter of 2011. Among the few large deals were a \$200m funding round for US installer Solarcity Corporation, and a \$104m round for biofuel developer Elevance Renewable Sciences, also of the US.

A sector split of the Q3 investment total shows solar leading the way with \$33.8bn, up 1% on Q2 but down 22% on the third quarter of last year; wind is second with \$15.5bn, down 26% on the quarter and 23% on the year; small hydro (projects of 50MW or less) is a distant third with \$3.5bn; biomass and waste is fourth at \$2bn, energy-smart technologies fifth at \$800m, and biofuels sixth at just \$700m.

A geographical split shows investment in the US in Q3 at \$7.3bn, down 28% on Q2, and 62% on Q3 2011. China saw investment slip 17% on the quarter to \$14.8bn, although this was up 6% on the same three months last year. India's investment fell 16% on the quarter to \$1.5bn and was 60% down from the same quarter in 2011, while Brazil showed a 94% increase on the quarter to \$1.9bn, some 24% up on the year. Investment in Europe was \$18.2bn, down 2% on Q2 2012 and 29% on Q3 2011.

A fact pack showing key figures and trends emerging from the Q3 investment data is accessible at <http://bnef.com/Presentations/download/114>

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