



Press Release – for immediate use

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Clean energy investment breaks the \$100bn barrier in 2007

The clean energy sector powered ahead in 2007, according to analysts New Energy Finance. In spite of difficult conditions on the credit markets, the amount of new money invested in the sector grew to \$117.2bn, up 41% from 2006's \$83.0bn*, and more than \$20bn ahead of predictions.

The clean energy sector weathered last summer's credit crunch well, partly because non-financial drivers such as regulation, political will and fears over energy supplies remain strong. It was also helped by a shift in focus from more mature wind and biofuels markets in Western Europe and the US towards Asia, Brazil and other developing countries. Wind power continued to lead the way, but the year also saw strong growth in solar power and energy efficiency. Investments in biofuels fell back from 2006's record year, hampered by surging feedstock costs.

- The biggest portion of investment funds went to asset financing, up 40% on 2006, at \$54.5bn.
- The highest growth rate was in public markets, where investment was 80% higher than in 2006, at \$18.9bn, the biggest portion being the \$6.6bn flotation of Iberdrola Renovables (Ibernova). If this IPO is excluded, public market new investment grew by a more sedate 17%.
- Venture capital and private equity new investment grew by 27% to \$8.5bn. Investors retreated from later stage investments and returned to early stage deals, as their familiarity with the sector and technologies grew and the pipeline of commercialisation-ready opportunities dried up.
- The year was marked by the launch of clean energy funds by several high street asset management companies, including HSBC, F&C, Schroeders, Virgin and DWS.

Michael Liebreich, Chairman and CEO of New Energy Finance commented: "At the start of 2007 we said that the clean energy industry had to deliver clean, cost-effective power and fuels in large volume in order to justify investors' enthusiasm. That remains just as true today: investors' enthusiasm still outstrips the industry's current contribution to solving the world's environmental and energy security problems. However, progress is being made on scaling up a number of sectors, particularly wind, solar, biomass and energy efficiency. The wave of liquidity washing through the sector shows no signs of abating and, despite the dark clouds still massed over the world's credit markets, 2008 looks set to be another banner year".

Asset financing

Clean energy asset financing was resilient in 2007 in the face of turmoil on the world's debt markets, with a record \$54.5bn invested. Investors were forced to shift their emphasis from project finance deals to on-balance-sheet financings, which made up 64% of total asset financing activity, up from 44% in 2006. Much of this came from the South American biofuels industry and wind, biomass and waste-to-energy deals in China.

Wind investment accounted for nearly half of the total new investment in projects, or \$24.8bn. Much of the growth in wind investment in 2007 took place in Asia and Oceania, whose \$8.4bn of deals outstripped the Americas (\$6.6bn) while investment in the EMEA region grew to \$9.8bn after falling by \$1.5bn in 2006. The remaining \$29.7bn investment was largely in biofuels projects (\$14.5bn); biomass & waste (\$7.1bn); and solar (\$5.9bn).

The 30% increase in investment in biofuel assets contrasted with 2006's 171% growth, which was driven by the US's love affair with corn-based ethanol. In 2007, much of the activity took place in South America, chiefly in Brazil, while the US ethanol industry stalled under difficult market conditions, with many producers shelving plans for capacity expansion. The ratification in December of the US energy bill, with its ambitious renewable fuels standard that calls for

* Note: The previously reported figures of \$71bn to \$75bn for 2006 excluded certain categories of investment such as solar water heating, which are now included – hence the restated 2006 figure of \$83.0bn.

36bn gallons of alternative fuels by 2022, should considerably improve the outlook for US ethanol. New investment in biomass & waste grew by 51% from \$4.7bn in 2006. As with wind, most of the surge took place in China, where the government has great hopes for biomass.

Solar project investment of \$5.9bn was 82% higher than 2006, as Spain and Italy continued their drive for larger photovoltaic projects. Spain has seen a great rush as investors tried to push their projects to qualify for the a 400MW subsidy cap. Greece and France are largely markets-in-waiting, constrained by bureaucracy and the lack of mature building-integrated photovoltaic products.

Public markets

In 2007, \$18.9bn of new money was raised by clean energy companies on the public markets, up 80% from \$10.5bn last year. Much of the increase was driven by one deal: the landmark flotation of Iberdrola Renovables, which raised \$6.6bn, six times more than the previous record deal, REC of Norway's \$1.1bn IPO last May. Although the IPO was priced at the bottom end of its lead coordinators' price range at €5.30 per share, it represented a hefty market capitalisation of €22.4bn (\$33bn) at the start of trading on 13 December.

Solar companies raised \$5.8bn of new equity on the public markets during 2007, once again chiefly Chinese cell and module makers listing on US markets. Biofuels groups managed to raise \$1.0bn, almost \$2bn less than in 2006, and energy efficiency groups caused excitement, by raising \$0.8bn, led by EnerNOC and Comverge, as policy makers and investors realised the potential of the sector.

The WilderHill New Energy Global Innovation Index (NEX), which tracks the fortunes of 88 clean energy companies worldwide, rose nearly 60% in 2007, taking its increase over the past two years to over 110%.

Venture Capital / Private Equity

In 2007, venture capital and private equity investment increased to \$8.5bn, up 27% from 2006. Early-stage VC made strong gains, increasing to \$1.8bn from \$0.8bn in 2006 as investors found it harder to find value in later stage deals due to greater competition and were driven to make earlier-stage bets. Late stage VC was the only investment stage to attract less money than last year, falling by a little over \$100m to \$1.1bn. Solar became the leading sector for VC and PE, attracting \$3.0bn of new equity, and biofuels decreased slightly on last year to \$2.0bn. The two other leading sectors were wind (\$1.8bn) and energy efficiency companies (\$1.2bn).

Much of the increase in solar investment was down to young US solar companies attracting early-stage VC investment. In 2006, just \$181m was invested in such firms, in 2007 this increased to \$702m. In Europe, where the solar industry is more mature, a meagre \$59m of early-stage VC found its way to solar companies. Some of bigger solar investments worldwide were in thin-film technology, which offers a way around the currently limited supply of solar silicon. HeliVolt raised \$101m, while Solyndra raised \$80m and SoloPower attracted \$30m. Solar installation companies also featured prominently, pushed into the spotlight by Arnold Schwarzenegger's California Solar Initiative. Early stage venture investment in energy efficiency companies more than doubled in both North America and Europe, to \$316m and \$96m respectively.

ABOUT NEW ENERGY FINANCE

New Energy Finance is the world's leading independent provider of research to investors in renewable energy, biofuels, low-carbon technologies and the carbon markets. The company's research staff of 60 (based in London, Washington, New York, Palo Alto, Beijing, New Delhi, Tel Aviv, Cape Town, San Paulo and Perth) tracks deal flow in venture capital, private equity, M&A, public markets, asset finance and carbon credits around the world.

The New Energy Finance Desktop is the world's most comprehensive subscription database of investors and investments in clean energy. New Energy Finance's Insight Services provide deep market analysis to investors in Wind, Solar, Biofuels, Biomass, China, VC/PE, Public Markets and the US. New Energy Finance is co-publisher of the world's first global stock-market index of quoted clean energy companies, the WilderHill New Energy Global Innovation Index (ticker symbol NEX). The company also undertakes bespoke research and consultancy, and runs senior-level networking events.

New Carbon Finance, a division of New Energy Finance, is the world's leading independent provider of analysis, price forecasting, consultancy and risk management services relating to carbon. It has dedicated services for each of the major emerging carbon markets: European,

global (Kyoto) and US, where it covers the planned regional markets as well as potential federal initiatives.

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