

Excerpt from BusinessWeek, Aug 17, 2012

<http://www.businessweek.com/news/2012-08-16/renewables-rout-ends-as-asian-bidders-look-for-q-cells-a123-energy>

## Renewables Rout Ends as Asian Bidders Seek Q-Cells, A123: Energy

The slump in renewable energy shares is ending as bidders from China and South Korea signaled interest in German solar manufacturer Q-Cells SE (QCE) and A123 Systems Inc. (AONE), a U.S. maker of batteries for electric cars.

Wanxiang Group Corp. of Hangzhou, China, confirmed it would invest as much as \$465 million in A123 yesterday, two hours after Q-Cells said it's in talks to sell assets to Seoul-based Hanwha Chemical Corp. (009830) The WilderHill New Energy Index of 96 shares has risen 8.8 percent since hitting a nine-year low on July 26.

“Valuations have come down so significantly in the clean energy sector that many of these companies are starting to look like they're worth the risk,” Mark Florian, managing director at First Reserve Corp., a private equity investor that's raised \$23 billion, said in an interview at Bloomberg's office in New York. “With A123 you've got the holy grail of energy storage. In solar you've got the advantages that come with scaling-up. We're going to see more consolidation.”

With the NEX index trading at less than a quarter of its 2007 peak, investors and analysts are beginning to turn less pessimistic about the future of the industry, which is coping with excess capacity, declining margins and government subsidy cuts. There's evidence investors are reducing short positions in Vestas Wind Systems A/S (VWS) and Suntech Power Holdings Co. (STP), the biggest wind and solar companies.

### Shares Rally

The NEX index climbed 0.5 percent today, led by a 7.7 percent jump in Vestas and a 5.9 percent gain in its rival Gamesa Corporacion Tecnologica SA.

....

About 7.6 percent of Suntech shares were sold short (STP) on Aug. 16, half the level of November, according to data from Markit. At Vestas, the short position was 19 percent, down from 23 percent in May. For A123, the short position was 16 percent on Aug. 14, down from 23 percent in March. About 14.5 percent of the NEX index was sold short at the end of July, around the same as it's been for the past year.

### 'Risky Shorting'

“It starts to look risky shorting a stock that's lost almost all its value,” Bachman said in an interview. “How much more of a downside is there when you've already become a penny stock?”

For solar panel makers, increasing competition among Chinese manufacturers along with concern about government subsidy cuts caused a 50 percent decline in prices last year and quarterly losses for most manufacturers. For wind energy, difficulty financing projects in Europe and the looming expiry of a U.S. tax credit has halted new orders. That's made them attractive targets for those expecting a rebound.

....