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A First: Cleantech is Top VC Investment Category

For the first time, cleantech is the top category in U.S. venture capital (VC) investment, moving ahead of biotech and software, said the Cleantech group, when it reported third quarter investment figures.

In the US., 72% of VC investment was in cleantech, with solar taking the lead. By comparison, Biotech got 24%, software 18% and medical devices, 17%.

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Cleantech in the Public Markets

Total worldwide new financial investments totalled \$25.9 billion, down 9% from \$28.6 billion in 2Q09, but much higher than \$13.3 billion in 1Q09, according to analysts New Energy Finance. (Their figures include includes venture capital, private equity, public equity, asset finance, bonds and corporate debt.)

Both analyst groups credited green stimulus dollars for the continued recovery.

Michael Liebreich, chairman and chief executive of New Energy Finance, commented: "It is heartening to see that the collapse in investment seen in the first quarter of this year is firmly receding in the rear-view mirror. However, the financing environment remains difficult, with undue reliance on stimulus funds, development banks and state-backed capital providers of various sorts. Most significantly, the levels of investment required to bring global carbon emissions to a peak during the coming decade are as far out of reach as ever--particularly significant given the rapidly-approaching Copenhagen deadline."

During the quarter the WilderHill New Energy Global Innovation Index (ticker: NEX), which tracks the performance of 88 clean energy stocks worldwide, rose 11.5%, taking its gain so far this year to 38.5%. This helped drive fundraisings by quoted clean energy companies totalling \$4.5 billion during 3Q, up from \$3.1 billion in 2Q and a far cry from the negligible \$0.4 billion of 1Q. The 3Q total was boosted by a few major share issues, including a \$724 million rights issue by Norwegian solar company **Renewable Energy Corporation** (REC.OL) and a

closely-watched \$371 million [initial public offering](#) by US battery maker **A123 Systems** (AONE), the first major IPO in the post-crisis period.

Asset finance, which always constitutes the largest portion of overall clean energy investment, hit \$19.2 billion in 3Q09 for new-build projects, down from a New Energy's revised figure of \$24.1 billion in 2Q but far above 1Q's total of \$11.4 billion, which was the lowest since the beginning of 2006.

Liebreich said: "The shortage of debt finance caused by the banking crisis remains an impediment to project finance for wind farms and solar parks. However, there are signs that the situation is beginning to ease. We are seeing governments – particularly the US--starting to spend the estimated \$163 billion they have earmarked for 'green stimulus' programmes. That should boost asset finance in the fourth quarter."

Among the substantial projects receiving finance in 3Q were the \$897 million, 165MW first phase of the Belwind offshore wind park, 47km off the coast of Belgium, and the \$586 million, 200MW Longyuan Qinghai Germu PV project in China.

Looking at the data by region, EU Europe once again led the asset finance figures, accounting for \$8.8 billion of the \$19.2 billion new-build total. The US continues to lag far behind on \$1.2 billion. Investors there have been waiting for the stimulus funding programmes to get up to speed. The US Departments of Energy and Treasury launched a [new stimulus grant program](#) in late July intended to spur development, but this has yet to feed through in a significant way to the data, although, with a number of substantial deals reaching the bridge-financing stage, this is expected to change in coming quarters.

Liebreich said: "The structure of the US stimulus program effectively brought project finance to a halt in the US as developers waited to ensure they qualified for grants or debt guarantees. Now that there is an infrastructure in place to disburse funds, we expect investment activity in the US to accelerate as we head into 2010."

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