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Tempus: renewables have a fair wind behind them

The Copenhagen summit on climate change is still two months away, but renewable energy stocks have already got the wind behind them.

The WilderHill New Energy Global Innovation index, a basket of global shares spanning the wind, solar, biomass and fuel cell sectors, has risen 39 per cent so far this year — comfortably ahead of the 14 per cent returned by the S&P 500 or the 17 per cent gain in the FTSE all-share index. Credit Suisse's alternative energy index, a rival benchmark, tells a similar tale — up 36 per cent since January.

It is not only share prices that are on the rise. About \$25.9 billion (£16.2 billion) of new investments in global clean energy were made in the three months to September 30, according to figures released yesterday by New Energy Finance, the renewables consultancy. That number — which captures asset finance, stock market and private equity investment in the sector — suggests that the \$28.6 billion notched up in the second quarter of 2009 was not merely a blip and represents a further significant rebound from the \$13.3 billion trough in the first.

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So what has changed? Most significantly, the substantial slug of government stimulus spending that has been earmarked for green energy schemes — not just to meet carbon reduction targets but also with the aim of creating jobs. New Energy Finance estimates that \$163 million of public sector cash has been promised for such schemes worldwide. A rebound in oil prices from their \$30-a-barrel low to back around \$70 has also ensured that the commercial imperative behind alternative energy has not been lost.

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“At the trough of the market, investors would not pay for wind farm development pipelines,” Alastair Bishop, clean energy analyst at Piper Jaffray, says. “This deal shows that utilities are putting a value on them once again.” But Mr Bishop says that it will not be until 2011 that the full effect of the return of capital to the sector will be felt.

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