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Green energy overtakes fossil fuel investment, says UN

Clean technologies attract $140bn compared with $110bn for gas, coal and electrical power

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guardian.co.uk, Wednesday 3 June 2009 17.18 BST

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Green energy overtook fossil fuels in attracting investment for power generation for the first time last year, according to figures released today by the United Nations.

Wind, solar and other clean technologies attracted $140bn (£85bn) compared with $110bn for gas and coal for electrical power generation, with more than a third of the green cash destined for Britain and the rest of Europe.

The biggest growth for renewable investment came from China, India and other developing countries, which are fast catching up on the West in switching out of fossil fuels to improve energy security and tackle climate change.

"There have been many milestones reached in recent years, but this report suggests renewable energy has now reached a tipping point where it is as important – if not more important – in the global energy mix than fossil fuels," said Achim Steiner, executive director of the UN's Environment Programme.

It was very encouraging that a variety of new renewable sectors were attracting capital, while different geographical areas such as Kenya and Angola were entering the field, he added.

The UN still believes $750bn needs to be spent worldwide between 2009 and 2011 and the current year has started ominously with a 53% slump in first quarter renewables investment to $13.3bn.

Counting energy efficiency and other measures, more than $155bn of new money was invested in clean energy companies and projects, even though capital raised on public stock markets fell 51% to $11.4bn and green firms saw share prices slump more than 60% over 2008, according to the report, Global Trends in Sustainable Energy, drawn up for the UN by the New Energy Finance (NEF) consultancy in London.

Wind, where the US is now global leader, attracted the highest new worldwide investment, $51.8bn, followed by solar at $33.5bn. The former represented annual growth of only 1%, while the latter was up by nearly 50% year-on-year.

Biofuels were the next most popular investment, winning $16.9bn, but down 9% on 2007, as the sector was hit by overcapacity issues in the US and political opposition, with ethanol being blamed for rising food prices.

Europe is still the main centre for investment in green power with $50bn being pumped into projects across the continent, an increase of 2% on last year, while the figure for America was $30bn, down 8%.

But while overall spending in the West dipped nearly 2%, there was a 27% rise to $36.6bn in developing countries led by China, which pumped in $15.6bn, mostly in wind and biomass plants.

China more than doubled its installed wind turbine capacity to 11GW of capacity, while Indian wind investment was up 17% to $2.6bn, as its overall clean tech spending rose to $4.1bn in 2008, 12% up on 2007 levels.

A number of Green New Deals – government reflationary packages designed to kickstart economies and boost action to counter climate change – have been laid out by ministers around the world.

The slump in global renewable investment during the first quarter of 2009 has alarmed the UN and New Energy Finance, the London-based consultancy that compiled the figures for the UN.

Michael Liebreich, chief executive of NEF, said the second quarter had revealed "green shoots" of recovery, which indicated this year could end up with investment at the upper end of a $95bn to $115bn range, but still a quarter down on 2008 at the least.

About $3bn of new money had been raised via initial public offerings or secondary issues on the stock markets in the second quarter, compared with none in the first three months of this year.

The New Energy Index of clean tech stocks, which had slumped from a 450 high to 134 by March, had since bounced back to 230, while more project financing had been raised in the last six weeks than in the 13 before that, he said.

But Steiner and Liebreich are still anxious that politicians do more to stimulate growth.

"There is a strong case for further measures, such as requiring state-supported banks to raise lending to the sector, providing capital gains tax exemptions on investments in clean technology, creating a framework for Green Bonds and so on, all targeted at getting investment flowing," said Liebreich.

It is important stimulus funds start flowing immediately, not in a year or so, he added: "Many of the policies to achieve growth over the medium-term are already in place, including feed-in tariff regimes, mandatory renewable energy targets and tax incentives. There is too much emphasis amongst some policy-makers on support mechanisms, and not enough on the urgent needs of investors right now."