Excerpt from Climate Spectator, January 16, 2012
http://www.climatespectator.com.au/commentary/clean-start-2012-kicks-renewables

Clean start: 2012 kicks off for renewables

A hectic start to January in the clean energy sector saw a mix of exciting news on project development, another sharp fall in the share price of turbine maker Vestas Wind Systems, encroachments by Chinese companies into mergers and acquisitions in the West, and discord over international trade and airline emissions.

Clean energy share prices have yet to show signs of recovery from recent sharp losses. The WilderHill New Energy Global Innovation Index, or NEX, closed last year at 127.06, almost 40 per cent lower than where it began and 73 per cent below the all-time high of 468.75 reached in November 2007.
It was a volatile 2011 for the index, as well as a depressing one. After surging to a 15-month high at the start of April as the Fukushima nuclear disaster unfolded, it lost 46 per cent in six months as the eurozone debt crisis hit and credit markets dried up. The collapse of solar companies Evergreen and SpectraWatt in August, and Solyndra in September, also affected sentiment.

The NEX started 2012 brightly, closing on a three-week high on the first day of trading of the New Year, but sank back to end little changed last week. In contrast, new energy investments continued apace in the early days of January.

The stand-out deal in wind was the acquisition by a unit of Warren Buffett's MidAmerican Energy Holdings of three projects in Iowa, a combined capacity of 405MW, following its solar purchases last month. Meanwhile, Exergy announced it was building 152MW of new wind parks in Idaho and Minnesota, while Enel won a tender to build a 99MW wind farm in Chile. However Vestas shares lost 11 per cent last week, falling to their lowest since 2003, as it cut revenue and profit forecasts for the second time in two months.

Nowhere is the contrast between company performance and investment clearer than in the solar sector, where a crowded marketplace, oversupply, falling subsidies and plummeting prices have seen module makers struggle even as installations continue to surge, leaving the sector ripe for consolidation.

In Germany, the world's largest PV market, a rash of solar panel installations in December kept total installations in 2011 near the record 7.4GW achieved in 2010, according to BSW-Solar, a lobby group. Meanwhile, Germany-based Solarhybrid was in talks last week to buy collapsed rival Solar Millennium's US assets, which include the 1GW Blythe project in California.

Germany is also the focus of interest from Chinese companies looking to buy market access and new technology on the cheap. LDK Solar, China's second-largest solar panel maker, bid €24.2 million for Sunways, which would be the first Chinese solar purchase in Germany. …

The solar consolidation may see more Chinese companies dying than being bought, the chief financial officer of Shanghai-based JingkoSolar told *Bloomberg News*. According to the Beijing-based Energy Research Institute at the National Development and Reform Commission, the oversupply of solar panels may see Chinese manufacturers whittled down to 15 within five years, from 330 in 2008.

In the meantime, trade friction is increasing as competitors claim that Chinese companies are receiving unfair government support. Having ruled in early December that Chinese imports were harming solar equipment makers, the US Department of Commerce last week delayed its decision in the next step of the case brought by SolarWorld. A similar case has also been brought by US wind tower companies.

Chinese firms are getting plenty of home support, even in the US market. LDK Solar secured $US64 million in construction financing facilities last week from the state-owned China Development Bank for projects of up to 300MW in New Jersey and California.
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