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<http://www.thenational.ae/lifestyle/personal-finance/economic-downturn-takes-solar-winds-out-of-green-energys-sail>

Economic downturn takes solar winds out of green energy's sail

As governments cut back on public spending in response to the downturn in the global economy, the clean energy industry is facing a funding crisis.

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The annual growth rates of around 25 per cent in some western countries' clean energy sectors have until now been fuelled by large government subsidies. But these are now under threat, something that could prove disastrous for the future of wind and solar projects.

Until recently, the economies of western Europe were capable of supporting clean energy through subsidies. But the continuing financial crisis facing southern European countries such as Spain and Greece could be set to spread to other formerly robust economies of Europe. Two of the continent's leading adopters of clean energy in Europe, Germany and Italy have both been slashing subsidies. Germany cut solar subsidies in 2010. Italy has also capped its solar energy subsidies.

As these economies were already being forced to cut back radically on clean energy funding before the current downturn, it is hard to see how they could do anything but cut back their clean energy investment even further. This could mean some schemes already under way are scrapped and others in the pipeline never leaving the drawing board.

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Even before the current financial upheaval, the number of wind turbine installations dropped for the first time last year after 20 years of growth. In the US, the number halved. The WilderHill New Energy Global Innovation Index, which tracks the performance of 100 clean energy stocks worldwide, dropped 14 per cent.

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But, if governments do not want to pull the carpet from under projects and companies they have already invested heavily into, they will have to find ways of channelling money into clean energy. Rather than subsidising it, governments have the option of passing laws that require more energy be produced from clean sources.

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But private investors of all sizes across the world can still influence government clean energy policy strategies. By continuing to buy shares in truly clean energy companies that provide solar energy and wind power, investors cannot only help fund the clean energy industry but also back smaller companies with lower overheads. They could also find themselves in on the ground floor of one of the 21st century's biggest industries.