Soaking Up the Sun

Posted by David Gaffen

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Clean energy may have as big an impact on the financial markets as it does the environment. According to New Energy Finance, deals in the renewable energy and low-carbon technology industries will end up being $100 billion this year, a new record.

Most of this deal volume, about $70.9 billion, is new investment, up 43% from 2005, while M&A activity, including leveraged buyouts and refinancing, accounts for $29.5 billion. New Energy says the biggest growth has been in venture capital and private equity, up a combined 167%, as well as public markets, which increased 141%.

Solar was again the leading sector for public-markets investment, with $4.4 billion, up from $1.7 billion in 2005. Biofuels was next, with $2.5 billion – 10 times last year's amount – followed by wind, up to $1.2 billion from $1.1 billion in 2005. New Energy says it has identified a "healthy pipeline" of IPOs for 2007, with biofuels, solar and wind companies "set to continue to dominate the volume."

One sign of clean-energy's strength in 2006 is the WilderHill New Energy Global Innovation Index, which charts the value of more than 80 clean-energy companies around the world from Archer Daniels Midland to Zoltek. Going into the final week of the year, the index is up more than 30% since it launched in January.

Michael Liebreich, founder and CEO of New Energy Finance, said that while 2006 was strong, 2007 will be even more critical for clean energy, as there is no guarantee of its success. "What we have clearly seen is that there is absolutely no shortage of capital, but now the industry has to deliver…clean, cost-effective power and fuels in large volume," Mr. Liebreich said in a statement. "The clean-energy industry's fundamentals have never been stronger, but some of the sectors that have raised the most money are not on track to deliver these things. The future is there for the clean energy industry to lose."