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Winds Shift for Renewable Energy As Oil Price Sinks, Money Gets Tight

By TOM WRIGHT

The prospects of renewable-energy companies soared with oil prices, but the global credit crunch and the easing of energy costs have brought them back to earth with a thud.

With banks reluctant to lend and their stock prices tumbling, many green-energy concerns are struggling to find the long-term funding they need to expand in a capital-intensive industry.

In the past three months, global renewable-energy stocks tracked by New Energy Finance, a London-based consultancy, have dropped about 45%, compared with a 23% decline in the Dow Jones Industrial Average over the same period.

The sector's problems have been compounded by the skid in oil prices to below \$70 a barrel last week from more than \$147 in July. The sudden reversal in crude prices has removed -- at least temporarily -- a key rationale for investors to pump billions of dollars into alternative fuels, industry analysts say.

The result: At least in the short term, a slew of projects from palm-oil-based biodiesel plants in Indonesia and Malaysia to wind farms and solar projects across the U.S. and Europe may not be able to get funding.

Some companies are shelving plans for IPOs as long as stock markets remain weak and volatile. German solar-power company [Schott Solar AG](#), for example, called off a \$900 million initial public offering earlier

this month, citing poor market conditions.

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Investors are also likely to become more selective about which green projects they back, with those that don't depend on government subsidies likely to attract the most funding in the short term, industry analysts say.

That could slow development of cutting-edge alternative-energy technologies like cellulosic biofuels, which have received private-equity funding but are still far from commercially viable. They will now have to compete with wind and solar for financing, says Angus McCrone, chief editor of research at New Energy Finance.

Private-equity firms "will now also have many companies from many sectors knocking on their doors," he adds, "especially while IPOs on the stock market are out of the question."