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China's clean tech charge

New investments in clean energy totalled $US56.9 billion in the second quarter of 2012, a 24 per cent rebound from the previous quarter.

The figures, published by Bloomberg New Energy Finance last week, were 18 per cent down year-on-year however. And they did little to bolster the WilderHill New Energy Global Innovation Index, or NEX, which sank 3.8 per cent last week, taking its losses this year to almost 14 per cent.

The star performer for clean energy investment was China with $18.3 billion, boosting its second quarter investment 92 per cent over the previous quarter.

Michael Leibreich, chief executive of Bloomberg New Energy Finance, noted that China has started creating enough demand to start "mopping up" some of the over-capacity it helped instigate.

"China has recently quadrupled its domestic goals for solar installations. And it has been by far the biggest market for wind turbines for several years," he said.

As a sure sign of the times, Chinese PV equipment-maker Yingli last week said it would expand its production capacity 44 per cent to almost 2.5GW this year – confronting the global supply glut head on – while Centrotherm became the latest German solar manufacturer to file for bankruptcy. The oversupply of solar panels has collided with the shifting sands of policy support in Europe.

Policymakers in Italy, the world's second largest solar market, agreed a much-diminished subsidy framework last week. The country's Conto Energia V bill will lead to feed-in tariff cuts averaging 39-43 per cent starting August 27.

The date was set after annual spending on solar subsidies exceeded €6bn ($7.2 billion) in Italy, triggering a 45-day implementation period.

As well as lower support levels, overall outlay for most installations will be limited by a set budget every six months. Nonetheless, Bloomberg New Energy Finance anticipates 2GW being installed in the second half of 2012.

The crunch of austerity is being felt even more acutely in Spain where prime minister Mariano Rajoy told parliament last week he would extend energy taxes to existing solar and wind projects to help scale back electricity sector debts of €25 billion. The country already stopped offering subsidies for new renewable energy projects in January.

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There was one bright spot for Europe last week as the European Commission published a shortlist of carbon capture and storage projects in line for up to €1.5 billion of funding from a special reserve of carbon market revenues known as the NER300. Four of the eight were UK-based, including the 2Co Energy’s Don Valley Power Project, which topped the list. The Belchatow project in Poland proposed by utility Polska Grupa Energetyczna was second, followed by the Netherlands-based Green Hydrogen project developed by Air Liquide. The European Commission said the top two to three projects could be funded within the available budget.

In other CCS news, Shell received conditional approval for its Quest project in Alberta, Canada. The project would be the first for use with tar sands oil extraction. The Canadian government allocated $847 million in funding for it last year.

Elsewhere in the Americas, Brazil’s local content requirements are having a major effect on the wind market. Developers said last week they may be forced to halt construction after Brazil’s development bank, BNDES, suspended financing for five foreign manufacturers it says are not sourcing enough components from domestic suppliers. One of the five, Indian turbine manufacturer Suzlon, said it had agreed to build a components factory in the country – and would also do so in South Africa for projects there. While Brazil’s local content requirements for wind projects are due to increase from 40 per cent to 60 per cent, BNDES may decide to delay those increases in the coming days.

In the US, Republicans in the House of Representatives pushed to prevent the US Department of Energy from awarding loan guarantees to new applicants via their "No More Solyndras Act". The bill is poised to fare well in the Republican-controlled House but is likely to go nowhere in the Senate where Democrats enjoy majority status.

In the largest deal announced last week, SunEdison reportedly sold the 60.4MW Karadzhalovo solar park in southern Bulgaria to Malta-registered ACF Renewable Energy for $220 million. Centrica bought two US units of Iberdrola – Energetix and NYSEG Solutions – for $110 million as it looks to expand in the northeast through its Direct

Energy unit.
Meanwhile, the export finance unit of Germany’s state-owned development bank KfW, KfW IPEX Bank, and Landesbank Baden-Wuerttemberg agreed to loan $164.5 million to Alto Holding for the $227 million Karaburn wind farm in Turkey. The 120MW project, which should start up in 2013, will generate enough power for 100,000 homes as Turkey targets 30 per cent renewable power by 2023.

EU carbon sinks on plan delay

European carbon allowances, or EUAs, for December 2012 delivery fell last week on speculation that a draft proposal to tackle oversupply may be delayed. EUAs plunged 5.2 per cent to close at €7.65/tonne, down from €8.07/t the week before.
On Tuesday, EU Climate Commissioner Connie Hedegaard said in Brussels that a draft measure to restrict supply next year, scheduled for July, would be presented “rather soon,” although her office would not provide a date. Later in the day, Brussels electricity lobby group Eurelectric said in an email to its members that the review could be delayed until September. EUAs fell steadily afterwards, to a weekly low of €7.46/t on Friday. United Nations Certified Emission Reduction credits, or CERs, for December 2012 crashed 16.7 per cent last week, closing at €3.25/t, compared with €3.90/t at the end of the previous week.