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Healthy rebound for clean energy

Investors in clean technology have more to smile about than most at the recent upturn in sentiment in stock markets.

The diverse sector, which includes wind farms, electric cars, solar panels and composting, suffered badly during the financial crisis.

After four years of stellar growth, new investment in clean energy alone - the bulk of the sector - plunged from $41bn in the final quarter of 2007 to only $13.3bn in the first quarter this year, according to research from New Energy Finance, the consultancy.

However, investors who have stayed with the sector have been rewarded with a spectacular rebound. Share prices rose 36 per cent between April 1 and June 30, according to the WilderHill New Energy Global Innovation Index, a widely watched index in the sector. That compares with a recovery of 15 per cent in the S&P 500.

Meanwhile, new investment in clean energy globally shot up to $36.2bn in the second quarter, according to NEF, and appears set to continue at similarly high levels.

"We are not out of the woods yet but this sector has more optimism than most of the world economy," says Angus McCrone of NEF.

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This is also a market that straddles the developed and emerging economies, says Peter Gutman, global head of renewable energy and environmental finance at Standard Chartered Bank. "China now does 40 per cent of global solar manufacturing, and solar makes sense for India too. Wind is also doing well in both countries," he says.

Serious problems remain, however. Many clean technology companies require heavy investment in infrastructure - such as turbines and solar panels - and debt financing is more difficult to come by and more expensive than for conventional technology.

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