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Copenhagen Failure Defied by $200 Billion in Green Investments

By Jim Efstathiou Jr.

Dec. 3, 2009 (Bloomberg) — Renewable-energy investment may climb to a record $200 billion worldwide next year as companies from Hong Kong's CLP Holdings Ltd. to American Electric Power Co. start projects that don't depend on a new climate-change treaty.

Private and public spending on technology such as solar panels and wind turbines will rise about 50 percent from $130 billion this year and top the previous high of $155 billion in 2008, according to Michael Liebreich, chairman of London-based New Energy Finance, a consulting firm whose data is used by the United Nations and Deutsche Bank AG.

World leaders who meet in Copenhagen starting next week have said they'll miss their goal of completing a treaty to limit carbon-dioxide emissions and foster clean-energy production. Companies and investment funds are increasing spending anyway in anticipation of an eventual accord and in response to government funding, regulations and public support.

"Most of us are moving in that direction and it really isn't dependent on Copenhagen," Michael Morris, chief executive officer of American Electric, the biggest U.S. producer of electricity from coal, said in an interview.

Government spending on green energy will more than double from this year to about $60 billion in 2010, Liebreich said. The U.S., China and 10 other nations have approved a total of $177 billion in stimulus funding for green energy over several years, he said.

'Renaissance Time'

"It's been a convergence of a number of drivers that are creating what we consider to be the renaissance time in the clean-tech sector," said Ira Ehrenpreis, general partner with Technology Partners, a Palo Alto, California-based clean energy investment fund with about $700 million under management. "A clean-tech company has the world as its customer base."

CLP, Hong Kong's biggest electricity supplier, is aiming to reduce carbon-dioxide emissions by about 75 percent by 2050. The company is building a $903 million offshore wind farm.

"Regardless of the outcome at Copenhagen, we're moving ahead to meet our intermediate target of having 20 percent of our generating capacity coming from non-carbon emitting sources by 2020," CLP's CEO Andrew Brandler said in an e-mail.

Columbus, Ohio-based American Electric said this year it will buy 2,000 megawatts of wind power by the end of 2011, double its original goal, to meet state renewable-energy requirements and company targets, according to Bruce Braine, a vice president with the utility. One megawatt is enough to power about 800 U.S. homes.

Paying a Premium

"You're paying a premium relative to alternatives like coal or gas, but once you get them in place, particularly for wind or solar, the nice thing is that the energy is almost free," Braine said.

European and U.K. requirements are shaping decisions by London-based National Grid Plc, manager of Britain's power-transmission network, according to Nick Winser, the company's executive director for transmission.

"That work will go on, whatever happens in Copenhagen, but all of that worthy leadership that has been shown on this topic sooner or later has to be underpinned by global targets," Winser said.

About 190 nations will meet in Copenhagen from Dec. 7 to 18 to set a framework for a treaty to curb emissions of global-warming gases. Completion of an accord at the meeting is out of reach, U.S. President Barack Obama and other leaders said at a conference in Singapore last month. United Nations Secretary General Ban Ki-Moon said the sessions may lead to a completed treaty next year.

Regulation Flurry

"Country by country, state by state, regulations will continue to spur demand independent of what might happen in Copenhagen," said Joe Muscat, director of clean technology at New

York-based Ernst & Young LLP.

Worldwide, 250 climate-change regulations were enacted from July 2008 to February, including 54 in the U.S. and 25 in China, Ernst & Young said in a Nov. 17 report. More than 30 U.S. states require utilities to include renewable energy in their power portfolios.

Government policies alone won't stimulate enough investment to avoid the worst impacts of climate change, such as higher sea levels and more severe droughts, the International Energy Agency said in a November report. Additional spending must reach $430 billion a year by 2020 to reach a 50 percent chance of keeping the increase in global temperatures within 2 degrees Celsius (3.6 degrees Fahrenheit) of pre-industrial times, the Paris-based agency said.

NRG's Wind Power

Completion of a treaty would boost spending because companies and investors would gain certainty about penalties on polluting and incentives for alternative energy, said Christian Kjaer, CEO of the Brussels-based European Wind Energy Association.

"You're already seeing a shift, and with an international agreement that change in investors' behavior will come faster," Kjaer said.

NRG Energy Inc., the second-largest power producer in Texas, plans to spend $2 billion on renewable power over the next six years, according to CEO David Crane. Princeton, N.J.-based NRG, which has invested $400 million on wind power in Texas, will take advantage of government spending, he said.

"The stimulus is just an enormous boost," Crane said.

Technology is lowering the cost of solar cells and wind turbines, said Jeffrey McDermott, the former co-head of investment banking at UBS AG who in 2008 started Greentech Capital Advisors LLC to advise and raise money for alternative-energy companies.

A treaty "would certainly be helpful, but it is not going to stop capital from being put to work," McDermott, managing partner of New York-based Greentech said. "Technological progress and the ability to scale and lower costs are surprising everybody in the industry."

China Tops U.S.

Clean-energy development isn't flowing to all countries equally, according to an October report from Deutsche Bank. Investment risks are lower in countries such as China and France that offer stronger incentives.

Investors spent $16.7 billion on clean energy in China in 2008, excluding stimulus funds, topping the U.S. total of $15.2 billion for the first time, said Jesse Jenkins, director of energy and climate policy at the Breakthrough Institute, an Oakland, California-based consulting firm.

Wind-energy producers in China get a premium for the electricity they supply to help make it competitive with cheaper power from burning coal or natural gas, he said.

U.S. companies are falling behind in clean technology because the country lacks a binding limit on carbon emissions, as would be required under a global treaty, said Ralph Izzo, CEO of Public Service Enterprise Group Inc., the owner of New Jersey's largest utility.

"We are in conversations about a range of carbon-friendly technologies," Izzo said. "And the suppliers we talk to are from China, Japan and France."