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CHINA LULL BEHIND QUIET QUARTER FOR GLOBAL CLEAN ENERGY INVESTMENT

Global clean energy investment dropped in Q1 2016, despite mega-financings in UK and Norwegian wind, due to a slowdown in China and a dearth of public market equity raises

London and New York, 19 April 2016 – Global clean energy investment in the first quarter of 2016 was $53.1bn, down 22% on Q4 2015's $68.1bn and 12% below the $60.5bn recorded in the equivalent quarter a year ago.

The figures, based on transactions recorded by Bloomberg New Energy Finance's data team, show that the main factor behind the relatively weak Q1 result was a change in the pace of activity in China. Clean energy investment in that country in the first quarter was $11.8bn, down 50% from Q4, and 37% lower than in Q1 2015, as wind and solar developers paused after a rush last year to qualify for soon-to-expire electricity tariffs.

Investment in the US was relatively steady at $9.7bn in Q1, down 7% on the quarter but up 9% compared to Q1 2015. The strongest performing region, bucking the trend of recent years, was Europe, where three different billion-dollar wind project financings boosted investment to $17bn, up 22% quarter-on-year and no less than 70% year-on-year.

Dong Energy reached a final investment decision on the 1.2GW Hornsea One offshore wind farm in UK waters – at an estimated value of more than $5bn, the world's largest ever project financing in renewable energy outside the hydro-electric sector. ScottishPower gave the go-ahead for the 714MW, $3.5bn East Anglia One array, also off the UK; and Statkraft, TronderEnergi, Credit Suisse and a consortium of institutional funds completed the $1.3bn financing of Norway's 1GW Fosen onshore wind portfolio.

The first quarter is often the weakest of the year for global investment, and totals can be revised up if more deals come to light. However, Michael Liebreich, chairman of the advisory board at Bloomberg New Energy Finance, said: "Based on Q1 figures, 2016 is going to be hard-pressed to beat last year's record investment total.

"The fundamentals behind global clean energy investment remain strong, with our latest research showing solar PV and wind again reducing their costs and competing strongly despite lower coal, oil and gas prices. But China accounted for more than one third of all new financings last year, so what happens there in 2016 will be crucial to the world outturn."

Justin Wu, head of Asia-Pacific at Bloomberg New Energy Finance, commented: "A strong pipeline of projects remains in China, and the government is providing a torrent of cheap debt to support the economy. But slowing power markets and uncertainty over changes to its feed-in tariff regime mean the country looks unlikely to match the $110.5bn investment it saw in clean energy in 2015.”

China was not the only reason for the downbeat first quarter investment total. Brazil saw commitments there fall 27% year-on-year to $1bn, while South Africa recorded almost no deals in Q1 2016 compared to $3.7bn in the same quarter of 2015, due to the timing of its auction rounds. Japan notched up investment of $6.8bn, down 19% on the year, while Chile, Mexico and Uruguay, all significant centres for investment in 2015, had quiet starts to 2016.

Investment held up better in India, reaching $1.9bn, up 6% on Q1 2015, and big projects were financed in two African countries: the 300MW Grand Para solar photovoltaic installation in Djibouti, and the 140MW Olkaria V geothermal plant in Kenya.

Looking at the different categories of investment globally, asset finance of utility-scale renewable energy projects amounted to $34.3bn worldwide in Q1, down 16% compared to the same quarter a year earlier. Small-scale solar projects of less than 1MW represent the second-biggest category of spending, and these were worth an estimated $17.4bn in Q1, up 3% year-on-year.

Venture capital and private equity investment in specialist clean energy companies was $1.4bn in Q1, up 16% on the first quarter of 2015. The biggest VC/PE investments of Q1 2016 were a $300m private equity round for US solar installer Sunnova, and a $142m private equity deal for US project developer United Wind.

The other category of investment that is measured quarterly is equity raising by clean energy firms on public markets. This was notably weak in Q1, reaching just $552m, down 76% compared to the first three months of last year. This setback was out of proportion to the slippage in clean energy shares in Q1. The WilderHill New Energy Global Innovation Index, or NEX, which tracks the performance of more than 100 clean energy stocks, edged down 5% in the first quarter.

However, Luke Mills, energy economics associate at Bloomberg New Energy Finance, said: "A few individual stocks – including US solar players SunEdison, Vivint Solar and SolarCity – suffered much sharper falls, and this may will have dampened investor confidence."

The biggest public market equity raising of the quarter was a $252m secondary issue by US 'yieldco' NextEra Energy. There was also a $287m initial public offering by German wind turbine maker Senvion, but this is counted as an investor exit rather than a new investment transaction.

A fact pack showing the detailed quarterly trends in clean energy investment is available for download on this link.

Note: Overall clean energy investment in 2015 was a record $328.9bn, up 4% on 2014. See the January press release here. The annual figures include all the categories of investment calculated quarterly (asset finance, reinvested equity, small-scale projects, venture capital and private equity, and public markets), but also two other categories – corporate and government research and development and digital energy asset finance.

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