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Clean Energy Investment Jumps 16%, Shaking Off Oil's Drop

Clean energy investment rose for the first time in three years in 2014, overcoming a slump in oil prices that unsettled the outlook for the industry.

New funds for wind, solar, biofuels and other low-carbon energy technologies gained 16 percent to $310 billion last year, according to Bloomberg New Energy Finance. It was the first growth since 2011, erasing the impact of lower solar-panel prices and falling subsides in the U.S. and Europe that hurt the industry in previous years.

Oil Prices

The industry benefited from a number of trends that will be challenging to replicate this year. Funding surged because of a 32 percent expansion in China's commitment to renewables, as well as a record $19.4 billion committed to offshore wind projects that were years in the making. Money also flowed into electric cars, especially for Tesla Motors Inc., just before cheaper gasoline prices reduced forecasts for that segment.

"Healthy investment in clean energy may surprise some commentators, who have been predicting trouble for renewables as a result of the oil price collapse," said Michael Liebreich, chairman of the advisory board of the London-based researcher. "Our answer is that 2014 was too early to see any noticeable effect on investment. The impact of cheaper crude will be felt much more in road transport than in electricity generation."

Offshore Wind

While there may be hiccups ahead for electric cars and offshore wind, the biggest bits of the renewable energy industry are still expanding. BNEF expects installations for solar and wind power to grow about 10 percent this year.

The findings ease concerns that the oil price rout that began in the middle of last year would lead to a sharp reduction in funds for low-carbon energy, which is more costly than fossil fuels. The WilderHill New Energy Global Innovation Index, which tracks 105 clean-energy equities, has tumbled almost 19 percent since March.

"This increase in renewable energy investment demonstrates the resilience of the sector in the face of tumbling oil prices," said Ben Warren, head of environmental finance at the consulting firm EY. "This trend is set to continue as technology around renewables becomes more affordable. The increasing role that renewable energy plays in emerging markets will also help ensure sustainable growth for the sector."

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A surge in solar everywhere had the biggest impact on the total result for 2014. Investment in projects that generate electricity from the sun rose 25 percent to $149.6 billion in 2014, its highest share of the total ever.

Driving solar was China's support both for photovoltaic installations and its panel manufacturers, which dominate the industry. Also, the rise of rooftop panel installers such as SolarCity Corp. and "yieldcos," companies that channel dividends to investors from operating solar projects, broadened the paths for money to flow into the industry.

Unshaken by Oil

"Technologies such as solar are much more cost competitive now so you might not see as much pressure from low oil prices," said Lit Ping Low, assistant director for sustainability and climate change at PricewaterhouseCoopers LLP. "Investment in clean energy will at least hold its own, if not continue to rise this year."

Sales of electric vehicles probably will be first to feel the impact of cheaper oil, which has reduced the cost of gasoline and made conventional cars more economical.

Investment in biofuels, which are blended with gasoline to help cut emissions, was one of the few clean-energy segments to suffer a decline, dropping 7 percent to $5.1 billion. What BNEF calls energy smart technologies, including power storage, efficiency products and electric cars, rose 10 percent to $37 billion last year.

China's Role

China was the biggest single contributor among the major markets for renewable energy, increasing its investment to $89.5 billion, the BNEF report showed. The nation has become the top market for solar power and one of the largest for wind after ladling out support for the industries to diversify its energy supplies.

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New equity raised for clean energy companies on the public markets grew 52 percent to $18.7 billion driven by a succession of U.S. and U.K.-listed yieldcos and project funds.