

Media Release

Basel, 22 June 2009

Bank Sarasin Sustainability Research: Despite recent turbulence, renewables can look forward to brighter times ahead

Even innovative industries such as renewable energies have not entirely escaped the effects of the credit crunch and the global recession. Less established companies in this sector have been badly shaken by the recent economic turbulence. Suddenly the industry is going through a phase of structural consolidation. Despite the stormy conditions and their inevitable impact on business performance, it is important to remember that the long-term outlook for renewable energies is still extremely positive. Renewables have two positive key functions: to protect the climate and to reduce dependence on energy imports. Demand is currently being fuelled mainly by government packages to stimulate the economy and from the growing involvement of electricity suppliers. As a result, renewable energies may actually benefit from the current crisis.

2008 will be remembered as a year of contrasts in the history of renewables. On the one hand we saw record industry growth, with an additional 40 gigawatts (GW) of capacity installed. For the very first time, more energy from renewable sources was installed than from conventional sources – both in Europe and the USA. Global capacity for photovoltaics rose 125%, while the figure for wind energy was 42%. Despite this record growth, the share prices of renewable energy companies imploded in 2008 due to a lethal cocktail of the financial crisis, recession, falling oil prices, and growing surplus capacity. This tendency became even more pronounced in the first quarter of 2009: as well as the share price collapse, demand for solar and wind energy has now fallen off dramatically. As a result, renewables are currently going through a consolidation phase worldwide. The latest Sustainability Research report published by Bank Sarasin & Co. Ltd, entitled “Renewable energies: Sunnier times ahead, once storms have cleared the air”, provides valuable insights into the current market environment, as well as the future prospects for the various technologies, markets and companies working in the field of renewable energies, i.e. wind energy, geothermal power and photovoltaics.

Light at the end of the tunnel

In addition to solid long-term prospects, a number of positive short-term signals can also be seen. The most obvious is the globally coordinated government stimulus packages, with investment programmes for renewables estimated in the region of USD 180 billion. At the moment the question is still when these programmes will actually be implemented. At present it looks as if only some USD 40 billion will actually be released in the current year, followed by another USD 75 billion in 2010.

Electricity utilities will also have a stabilising effect on demand, as they have sufficient funds to secure financing for renewable energy projects. It should be noted, however, that the involvement of large energy producers such as EDF or E.ON also tends to be cyclical to some extent, as can be said of the oil giants Shell or BP, and that their involvement is also influenced by the political debate in individual countries.

The seller's market has recently switched to a buyer's market in recent months, triggering disproportionate falls in the prices of renewable energy systems. As a result, certain technologies such as small hydro, wind energy and geothermal power could soon reach grid parity. But even photovoltaics, traditionally a very expensive technology, has managed to trim production costs by 20-30% over the last nine months.

The opposite of the intended effect

Although the short-term effects of the government stimulus packages are very positive for renewable energies, they could potentially delay the required structural adjustment processes as well. Questions also need to be raised about the relationship between costs and benefits, particularly with respect to the preservation and creation of domestic jobs. There will certainly be regional shifts here, in the form of offshoring the production of components for renewable energy systems to China and the USA. This type of shift may well throw up questions from a national perspective, and possibly lead to a politically motivated reduction of the respective subsidy programmes in Europe. But this trend will not be enough to halt the global growth of renewable energies.

One key factor for the long-term prospects of renewables, however, is the ability to solve the technical problems associated with the availability of supply and integration into the existing electricity grid – a vital prerequisite for consistently driving renewable energy projects forward. That these problems can be resolved is not only clearly illustrated by a number of studies, but also by the already high proportion of solar and wind power installed in countries such as Denmark, Germany and Spain.

Unjustified criticism

A number of criticisms are repeatedly raised in the debate about the future prospects for renewables, even though they are misplaced. For instance, it is often claimed that the energy required to manufacture photovoltaic (PV) modules is greater than the energy produced. In fact significant technological advances have made it possible to slash energy payback times, which are now a little under two years. Thereafter a PV system continues generating electricity for another 20-25 years. The energy payback time for wind turbines has been reduced to as little as 7 months. During the rest of its approximately 20-year service life, a wind turbine produces 35 times more energy than was used to manufacture the system.

Another criticism concerns the availability of renewable energy, such as its dependence on weather conditions. But this criticism is quickly put into perspective simply by the fact that the EU already has around 100 GW capacity stored in reservoirs to bridge any gaps should the wind or sun be too weak to produce enough electricity. Switzerland especially has a comparatively high number of reservoirs for pumping water, which throws up attractive business opportunities for electricity generation. Interesting possibilities will also arise in the foreseeable future from enhanced interconnectivity between different energy producers to form “smart grids”, such as the successful German project “Regenerative combined cycle power plant”, in which 36 wind, solar, biogas and hydroelectric plants were integrated into a single computerised network.

Long-term prospects intact

Despite the current turbulence which will negatively affect business results for 2009, the long-term prospects for the individual renewable energy technologies remain solid. Even the outlook for next year looks bright, given the continuing market growth. This positive view also holds true when compared with conventional energy sources. The situation has been helped to a large extent by the steep price falls in recent months which have made renewable energies far more competitive. Associated factors include a further reduction of CO2 emissions and less dependency on oil and gas imports. The megatrend in favour of renewables is therefore continuing, despite all the current turbulence.

This megatrend is also likely to be supported by international politics. An initial milestone was reached with the establishment in January 2009 of the International Renewable Energy Agency (IRENA), which acts as an advisor to both industrialised and developing countries, and is also a centre of expertise for all matters relating to renewable energies and their financing.



The Kyoto Protocol's first period of legally binding commitments comes to an end in 2012. At the forthcoming climate conference in December 2009 in Copenhagen a binding roadmap is due to be approved to reduce CO2 emissions. For the first time there is reasonable hope that it may be possible to get the USA to sign this agreement, which would in turn bring pressure to bear on countries like China and India. It would also lay the political foundation for sustainable development in the long run.

For more information please contact:

Benedikt Gratzl, Head of Corporate Communications, Media Relations
Telephone +41 (0)61 277 70 88 E-Mail: benedikt.gratzl@sarasin.ch

Matthias Fawer, Sustainability Research
Telephone +41 (0)61 277 73 03 E-Mail: matthias.fawer@sarasin.ch

Copies of the full report “Renewable energies: Sunnier times ahead, once storms have cleared the air” are available in German or English for a copyright fee of CHF 50 / EUR 35 (or free to clients and the media) from:

Bank Sarasin & Co. Ltd, Gabriela Pace, Elisabethenstrasse 62, Postfach, CH 4002 Basel, Switzerland
Telephone +41 (0) 61 277 73 31 E-Mail: gabriela.pace@sarasin.ch

Sarasin – www.sarasin.com

The Sarasin Group has its roots as a leading Swiss private bank. As an international financial service provider committed to sustainability, the Group is now represented in more than 20 locations in Europe, the Middle East, and Asia. By the end of December 2008 it managed total client assets of CHF 69.7 billion and employed around 1,500 staff. Its majority shareholder is the AAA-rated Dutch Rabobank.

Bank Sarasin & Co. Ltd – www.sarasin.ch

Bank Sarasin is a leading Swiss private bank whose many years of banking experience has made it consciously opt for sustainability as a key component of its corporate philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients. Within Switzerland, Sarasin has offices in Basel (head office), Geneva, Lugano, and Zurich. Bank Sarasin & Co. Ltd is listed on the SIX Swiss Exchange.