

India records world-beating green energy growth

Increase of 52% to \$10.3bn in 2011 was based on strong solar performance



Sharan Pinto installs a solar panel on the rooftop of a house in Nada, a village near the southwest Indian port of Mangalore, India. Photograph: Rafiq Maqbool/AP

India's transformation into a cleantech powerhouse moved up a gear in 2011 when it racked up investments of \$10.3bn in the sector, a growth rate of 52 per cent year on year that dwarfed the rest of the world's significant economies.

Solar investments led the growth with a seven-fold increase in funding, from \$0.6bn in 2010 to \$4.2bn in 2011, just below the \$4.6bn invested in wind during the year, according to figures released yesterday by analysts Bloomberg New Energy Finance (BNEF).

A record 2,827MW of wind energy capacity was added in 2011, which kept India third behind China and the US in terms of new installations. BNEF said a further 2,500MW to 3,200MW could be added in 2012.

Grid-connected solar also saw a substantial increase, up from 18MW in 2010 to an estimated 277MW by the end of 2011, while another 500MW to 750MW of solar projects could be added in the coming year.

Asset financing for utility-scale projects remains the main type of clean energy investment in India, with \$9.5bn in 2011, BNEF said. Venture capital and private equity investment made a strong comeback with \$425m invested in 2011, more than four times the 2010 figure, but equity raising via the public markets was only \$201m compared with a record \$735m in 2010, when the Indian stock market was at its all-time high.

"There was concern at the beginning of last year that increasing lending rates might hit investment," said Ashish Sethia, head of India research at BNEF, in a statement. "The surge in installation of renewable energy shows it is becoming cost competitive and scalable."

BNEF expects India to exceed the target of adding 12.4GW of grid-connected renewable energy during its 11th five-year plan, running from April 2007 to March 2012, and is likely to bring 14.2GW of capacity online.

However, Sethia said that if the targets are to be met, the country needs to improve the grid to handle increasing amounts of renewable energy, as well as ensuring renewable purchase obligations are enforced and project developers are paid on time for the power they produce.

But India still has significant scope for growth as it only accounts for four per cent of global investment in clean energy.

"India's record performance in 2011, and the momentum it is carrying into 2012, is one of the bright spots in the clean energy firmament," concluded BNEF chief executive Michael Liebreich.

"With support mechanisms falling away in the US, the ongoing financial crisis in Europe and China already going flat out, it is gratifying to see some of the world's other major potential markets coming alive."