



Why settle for this...  ...when you can **GOFISH!**

MINNESOTA'S LARGEST COMMERCIAL PROPERTY DATABASE!
100% FREE to LIST • 100% FREE to SEARCH • 0% OUTDATED!

Finance and Commerce.
 Minnesota's only business daily.
 Since 1887.

[MY ACCOUNT](#) | [SUBSCRIBE](#)

[News Archives](#)

[Classifieds](#)

[Public Notices](#)

[Events](#)

[Photos](#)

[E-mail Alerts](#)

SEARCH : Keyword



FINANCE AND COMMERCE

 Print  E-mail to a friend  Digg  Del.icio.us

December 18, 2008 4:15 PM CST

Green: Renewable-energy sector has high hopes for Obama administration

by [Mark Anderson](#) Staff Writer



Midwest Wind Finance has stayed busy during the recession, but executives Jeff Wright and Ken Valley say clarity on wind production policies will give the industry a valuable boost. (Staff photo: Bill Klotz)

If President-elect Barack Obama has his way – and with majorities in both houses of Congress, the odds of that look pretty good – there's a boom ahead for "clean tech," the renewable-energy industry that is expected to be the foundation of an entirely new American economy.

It isn't happening just yet, however.

Investments in clean technology, in fact, have dramatically slowed in recent months. But local investors and analysts say there's little reason to worry about the emerging industry. They're convinced that a rebound is coming in the new year, as investors regain their balance and as the incoming Obama administration begins to detail its plans for building a new clean-energy infrastructure.

"Despite everything that's gone on, we're still very, very excited about what's going on in clean tech," said Scott Barrington, director of private equity at Piper Jaffray and manager of its CleanTech Fund of Funds.

"There are great companies to invest in, and great opportunities in this

field."

Many of those opportunities are still waiting for a jump-start. In part, that's because clean technology is suffering along with the entire U.S. economy, which is in recession. Money has been pulled back from everything except Treasury notes during the grisly financial dramas of late summer and fall.

Because of several macroeconomic trends, furthermore, the recession has been particularly hard on parts of the renewable energy sector:

Be Informed.
 Be Successful.



[Subscribe Now](#)
1.800.451.9998

Advertisement

Tax credit investment has virtually disappeared this year. Tax credit investors had been delivering millions of dollars in equity to large, capital-intensive wind and solar developments. But as companies that were very profitable in recent years started losing large amounts of money, they needed tax credits to protect their own bottom lines.

"Many of the investors who used to buy those were hurt over 2008," according to Daniel Yarano, chairman of the energy practice at the Fredrikson & Byron law firm in Minneapolis. "Many of them were financial companies. AIG, Wachovia, Morgan Stanley were all big investors, and I'm sure they aren't financing '09 projects now."

Banks have clamped down on lending. As big financial institutions have tightened their spigots, more clean-technology projects have been moved onto the back burner.

The price of oil has whipsawed, from record highs to lows not seen in years. New money poured into renewable energy projects as oil prices skyrocketed early in the year, but investors shifted gears when prices collapsed this fall.

"Oil under \$50 a barrel lessened the psychological urgency to find alternatives, and that's playing out in the way clean tech and renewable stocks performed," said Eric Stine, an equity analyst who follows the clean tech sector for Northland Securities in Minneapolis.

Related Links

Other Business News

- [Twin Cities managers named to top advisers list](#)
- [CPA firm adopts new name: TK Advisors](#)
- [TCF wins top CRA rating, plans services for the blind](#)
- [Don Yee named president of OptumHealth vision care](#)
- [Jacobson Group opens first Minneapolis office](#)
- [Carlson names Beyer to lead human resources](#)
- [New report advises nonprofits to stay 'nimble and open to alternatives'](#)
- [Commission preparing 80 ideas to eliminate poverty by 2020](#)
- [National Wind announces second project in Iowa](#)
- [Minnesota unemployment rate hits 6.4 percent](#)

Be



[Subscribe Now](#)
1.800.451.9998

Other institutional or high-net-worth investors have moved to the sidelines, not because of doubts about clean tech and renewable, but because they wanted out of the turbulence.

"Investors are putting all new investments on hold at least until early next year," Barrington said, devoting their energy instead to straightening out issues in their existing, diminished portfolios. "But as we talk with investors about the wide range of investment ideas, clean tech continues to resonate with people, and we think that will be one of the first areas to reopen."

And they'll find a lot of clean tech ventures still standing and thriving, according to these observers.

Many of those investment candidates are companies that offer value even during a recession. Stine and Barrington are both watching firms that deliver greater energy efficiency – from lighting and temperature controls to fuel use – all tools that can deliver immediate returns to a company's bottom line.

They're watching companies that will play a role in developing a new electrical transmission grid, one that delivers much greater capacity, efficiency and security at a time when electricity generation and demand are certain to boom.

And as the post-petroleum age begins to dawn, they're watching electric cars and other electrical transportation systems.

Piper's CleanTech fund is an investor in Tesla Motors in California, famous for developing a high-performance, all-electric roadster. Barrington said Tesla is also completing work on a four-door, five-passenger car that will sell in the \$50,000 range, and that Barrington promises will prove an attractive step in consumer transition away from petroleum cars.

Investment opportunities are growing in a wide range of clean tech niches, from waste-water control to carbon emission reduction products.

One of those niches is in small- to mid-scale wind production, and a Minneapolis company, Midwest Wind Finance, is keeping busy in that space right through the recession.

Midwest focuses on smaller wind energy production facilities, and it uses a model that keeps rural property owners on as major equity holders in the new generating facilities. Midwest will see its first turbines commissioned this year, but it has more than 30 projects under contract now worth some \$900 million in total.

The firm has been able to keep financing deals because of their modest size, according to Vice President Jeff Wright. Midwest's most recent signed projects are priced in the \$45 million to \$60 million range.

"Banks want to be in this sector, but they don't want to be over-concentrated," Wright said. "Small is beautiful right now."

But the next wave of investment in wind and many other renewable and clean tech sectors will hinge on actions by the new Obama administration.

Wright said that certainty about a wind energy production tax credit – which has expired and won short-term reprieves seven times in the past decade – would make investment much more lucrative.

"Inconsistency was the major problem. In an infrastructure-heavy industry like this people need to be able to plan long-term," and the on-again, off-again tax credits made that impossible, he said.

Certainty about the Obama administration's goals on a range of policies, regulations and incentives targeting clean-tech industries will have a big influence on the next stage of investment. Will there be a carbon tax or a cap-and-trade system coming in the next several years? Will there be long-term production tax credits or renewable energy mandates? Will the government give direct financing help to selected industries?

"There's huge interest [in clean tech industries] from the investment community," Yarano said. "But people need clarity about what's on the horizon if they're going to make a long-term investment. I hope the administration can start providing that by coming out early with its priorities."

Comments

No comments posted yet.

Send Us A Comment

Name:

Email:

Comments:



Please type in the text from the above image:

[Add my comments](#)

'08 INFINITI EX35 | LEASE \$449/MO*
Your Luxury Performance Crossover



[Manage My Account](#) • [Top Real Estate Sales](#) • [Advertising](#) • [About Us](#) • [Subscriber Services](#) • [Contact Us](#) • [Privacy Policy](#) • [Terms and Conditions](#)



DOLAN MEDIA COMPANY Finance and Commerce, U.S. Trust Building Suite 100, 730 Second Ave. S., Minneapolis, MN 55402 (612) 333-4244