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Renewable energy's future is now in the developing world, analysts at accounting giant Ernst & Young claim, as cost-conscious and indebted industrial economies focus on investments like smart grid that can slow demand and cut costs.

After a robust decade driven first by concerns about climate change and eventually-foiled expectations that a global price on greenhouse gas emissions would emerge followed by heavy central-government subsidies for renewable energy projects seen as promoting energy security and job growth, the renewable energy sector is moving into a "revolutionary" new phase, a new E&Y report indexing renewable energy country attractiveness says.

"As policy makers scramble to stop recession tightening its grip on major economies, demographic changes and growth in emerging markets appear to be driving renewable energy investment," the group said. "The balance of power is shifting, with Eastern Europe, the Middle East and North Africa, South-east Asia and Latin America now representing renewable energy's future."

"By contrast, Western Europe and US markets have been hit by reduced government incentives, restricted capital access and increased overseas competition," the group said, citing in part the impact of low-cost shale gas. Gas producers have often raised the idea that renewables and gas generation can work together, especially with new fast-start generators using natural gas to proving "firming" for intermittent renewable generation, but the price of gas is so low that in markets without renewable incentives or portfolio standards the gas piece of those projects is often built to the exclusion of associated renewable generation.

The difficult outlook for renewable energy projects in countries with mature capital markets and the compounding reticence to lend against the background of limited bank activity as the European sovereign debt crisis extends into 2012 has brought initial public offering activity to a screeching halt since the third quarter of 2011, National Venture Capital Association president Mark Heesen says in the E&Y report.

Check out the results of a recent survey of clean tech venture capital investors on AOL Energy [here](#).

## Asian Countries At Head Of Developing World Pack In Renewable Energy Shift

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A huge sale of shares by the builder of China's Three Gorges Dam, Sinohydro Group, has piqued renewable project developer interest around the world, as the company takes its new roughly \$2 billion haul on investing trips abroad. The company is funding a clean energy project in Cambodia, E&Y says, and has announced project investments elsewhere in the world.

Asian renewable energy markets, and China's massive market in particular, are huge opportunities for financial dealmakers involved in all kinds of transactions, E&Y said, including mergers and acquisitions. China doubled its wind capacity year on year, the accounting firm said, and there are statistics claiming its renewable energy capacity is now increasing faster than its coal-fired capacity. China has been an aggressive builder of coal-fired power plants, but has faced challenges in controlling urban air quality and in securing enough coal at competitive prices on the international market despite its huge production portfolio of mines.

Consolidation remains the name of the game in wind, solar and hydropower markets, the company said, citing deals involving private equity firm Bridgepoint, Japanese trading company Marubeni, US utility giant NRG Energy and a more than \$1 billion deal involving the sale of pump storage hydro energy technology firm Arizona Independent Power to Green Planet Group.

New players have begun to emerge as the renewable sector consolidates, including deep-pocketed private equity and infrastructure firms seeking exposure to regular returns. Read more about private equity and the energy sector on AOL Energy [here](#) and analysis of the shifting focus for energy financing [here](#).

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