US grabs lead over China in clean energy race

April 12 2012, by Kerry Sheridan

The United States has regained the lead in the clean energy race, investing $48 billion last year to surpass China, which held the world's top spending spot since 2009, said a study Wednesday.

The United States has regained the lead in the clean energy race, investing $48 billion last year to surpass China, which held the world's top spending spot since 2009, said a study Wednesday.

The US surge in private investment was a 42 percent increase over 2010 and saw Washington maintain its lead worldwide in both venture capital and research and development cash, said the Pew Charitable Trusts annual report on clean energy.

However, the US boom was largely driven by expiring tax incentives, highlighting "a persistent phenomenon in which the country fails to deploy into the marketplace the clean energy innovations it creates in the laboratory," it said.

China, which fell to second, invested $45.5 billion last year, a one percent increase over 2010, but maintained its global lead in wind energy investment and in solar manufacturing, said the report.

Experts say a key difference between the United States and China is in how they attract investment -- China by having solid green energy policies that reassure investors and the United States by offering tax breaks for investment.

"China has been able to fuel its growth by having very consistent and long-term policies in place that really tell investors there is an opportunity for them to make a profit," said Phyllis Cuttino, director of Pew's Clean Energy Program.

"The United States has no renewable energy target but they have decided to try and incentivize clean energy investment through a variety of tax incentives, tax credits, tax subsidies, loan guarantees," she told AFP.

Some of those programs were instituted under the George W. Bush administration and some under President Barack Obama, she said.

"What we saw this year was investors really rushed into the United States to take advantage of those tax credits before they expired."

The Pew report, which focused on private investment in Group of Twenty (G20) nations, also found that total worldwide private investment rose 6.5 percent over 2010 to a record level of $263 billion.

"Germany, Italy, the United Kingdom, and India were also among the nations that most successfully attracted private investments last year," it said.

Germany ranked third in 2011 after soaring to second place in 2010 as it ramped up both solar and wind power. Private investment dropped five percent last year compared to 2010.

"Germany now obtains more energy from renewable sources than it does from nuclear power, coal, or natural gas," said the report, adding that Italy has also surged, surpassing Germany's deployment of 7.4 gigawatts (GW) of solar.

Italy installed eight GW of solar energy nationwide and investments grew 38 percent to $28 billion, offsetting declines in other parts of Europe as the region struggles with a troubling debt crisis.

"Europe has been a traditional leader, in terms of attracting private investment. Last year they attracted $99 billion in private investment as a region," said Cuttino.

"But Asia and Oceania is a region of the world that is quickly growing so we keep thinking the center of the clean energy economy is moving to this region. They were second in the world attracting $71 billion."

India had the highest rate of growth among G20 nations as investment rose 54 percent to $10.2 billion, largely driven by its National Solar Mission that aims to install 20 GW by 2020.

Japan saw a 23 percent rise to $8.6 billion dollars "and we think there is going to be more growth in Japan as they kind of move away a bit from nuclear power," added Cuttino.

Australia also saw private investment rise 11 percent to $4.9 billion, with four billion of that sum going toward small residential solar projects.

"They have a newly instituted carbon policy and that is the third highest level of investment per GDP (among G20 countries), so they are doing quite well," said Cuttino.