Federal spending on clean tech dives, report says

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A report released Wednesday by scholars at the Brookings Institution and the Oakland, Calif.-based Breakthrough Institute warns that federal spending on clean technologies is drying up, with little sign of additional help coming from Congress.

As a result, more clean-tech companies are likely to go bankrupt or be consolidated, the study warns.

In 2009, federal spending on renewable sources of energy reached an all-time high of $44 billion as one-time stimulus funding, part of the American Recovery and Reinvestment Act, pumped additional millions into clean technologies, according to the study, "Beyond Boom & Bust: Putting Clean Tech on a Path to Subsidy Independence."

But as the stimulus funding and other policies wind down, federal spending dropped to $30.7 billion in 2011 and will fall to $16.1 billion this year. By 2014, federal spending on clean technology is expected to be just $11 billion, amounting to a 75 percent drop in five years.

"We're falling off the cliff," Mark Muro, a senior fellow at the Brookings Institution, said in an interview in advance of the report's release.

The federal wind energy production tax credit, for example, which provides incentives for wind farms, is scheduled to expire at the end of this year. Wind developers are racing to finish construction projects, and the uncertainty over the credit's future has stalled many other projects in the pipeline. The wind industry is lobbying Congress to extend the credit for another four years.

While California has aggressive renewable-energy goals, including a law requiring state utilities to get 33 percent of their electricity from renewable sources by 2020, the lack of a nationwide energy policy has created a boom-bust cycle that needs to be radically changed, the report says.

"Clean-energy policy in America is at a crossroads," it says. "Federal support for clean tech is now poised to decline precipitously - unless policymakers and industry work together to enact smart reforms that can ultimately free clean energy from subsidy dependence and put clean-tech sectors on a path to sustainable, long-term growth."

The waning federal investment comes as clean-technology market subsidies are being cut in Europe and as renewables face increasing competition from low-cost natural gas. Meanwhile, Wall Street has turned cool toward solar stocks.

Last week, Oakland-based BrightSource Energy, a developer of utility-scale solar power plants, canceled its planned IPO due to tepid interest from investors. Earlier this week, San Jose-based SunPower, Silicon Valley's dominant solar manufacturer, announced it was closing a factory in the Philippines in an effort to cut manufacturing costs. On Tuesday, Tempe, Ariz.-based FirstSolar said it would close its German factory, reduce manufacturing in Malaysia and cut nearly a third of its global workforce.