Renewable energy use surged worldwide last year

June 18 2012, By Russell McLendon

Renewable energy reached a big milestone in 2011, surging to a record $257 billion in global investments, the U.N. Environment Program announced, up 17 percent from 2010 and a sixfold increase over the past seven years. The figure also marks a breakthrough for the solar power industry, which drew nearly twice as much investment as wind energy last year, according to reports from the U.N. and the Renewable Energy Policy Network for the 21st Century (REN21).

Total solar investments rose 52 percent, to $147 billion, in 2011, the reports say.

While China has led the world in renewable-energy investments for three years, it increasingly faces competition from around the world, especially from the United States.

Chinese renewable-energy investments rose 17 percent to $52 billion in 2011. In the U.S., a 57 percent surge that pushed investments to $51 billion. The U.K., Spain and Italy also had investment booms, with respective growth rates of 59, 45 and 43 percent, although their totals remain relatively small. The most extreme change came in India, whose 62 percent rise to $12 billion represents "the fastest investment expansion of any large renewables market in the world," UNEP reports.

This is mostly good news for the renewables industry, particularly solar, but the UNEP and REN21 reports have some dark spots, too. While $257 billion is a new record for global investments in renewables, the 17 percent increase is down substantially from the 37 percent growth recorded in 2010. Investments declined in some countries including Germany (down 12 percent) and much of the Middle East and Africa (down 18 percent). "Policy uncertainty created by the Arab Spring delayed some projects," UNEP notes, "but a number of important initiatives did still progress."

There were also economic setbacks, even in countries like the U.S. and U.K. that saw overall growth in their investments. Austerity measures and falling prices led some governments to cut subsidies and tax breaks for renewable energy, helping trigger a series of company failures and factory closures, including five major solar firms in the U.S. and Germany. One of the highest-profile of these collapses was California-based Solyndra, which had received $535 million in federal aid but still succumbed to price reductions courtesy of China's prolific solar-panel production.

But according to Udo Steffens, president of the Frankfurt School of Finance and Management and a collaborator on the two reports, such failures are the growing pains of a maturing industry. "Renewables are starting to have a very consequential impact on energy supply, but we're also witnessing many classic symptoms of rapid . . .- big successes, painful bankruptcies, international trade disputes and more," Steffens said in a written statement. "This is an important moment for strategic policymaking as winners in the new economy form and solidify."

There is also a precedent for this kind of halting progress, said Michael Liebreich, chief executive of Bloomberg New Energy Finance. "In 1903, the United States had over 500 car companies, most of which quickly fell by the wayside even as the automobile sector grew into an industrial juggernaut," he said. "Writing off the auto industry based on the failures of weaker firms would have been foolish. Today, the renewable energy sector is experiencing similar growing pains as the sector consolidates."