Excerpt from Bloomberg New Energy Finance, January 6, 2015
https://www.bnef.com/ViewEmail/7dbb2bf5-7d28-cd7a-bbe9-56ada3ce27fe-6600ff073252-517af6

Clean energy had an 'emotional' end to the year as oil prices sank lower

While 2014 was a relatively upbeat year for the low-carbon sector, it ended with some caution in the air as share prices of clean energy companies retreated and Brent crude oil plunged.

The WilderHill New Energy Global Innovation Index, or NEX, which tracks around 106 clean energy stocks worldwide, lost 16.5% over the last six months of 2014. This decline compares with broader market indexes like the S&P 500, which rose about 5% over the same time period. Due to gains made earlier in the year, the NEX ended 2014 only 4.9% below 2013's finish.

The most recent issue of Bloomberg New Energy Finance's Clean Energy & Carbon Brief covers last quarter's public market deals. BNEF will be releasing final figures for Q4 and 2014 later this week – these are likely to show that overall clean energy investment rose last year compared to the previous one.

Some market observers said that last year's dip in clean-tech shares may have been an "emotional" response to the recent collapse of oil prices. Brent crude oil dropped more than 50% from $112.36/barrel on 30 June to $57.33/barrel at the end of the year. Since 1 January, Brent has continued to slip toward $50/barrel.

Bloomberg New Energy Finance has summarised its analysis of recent oil market movements here. The research company finds that if lower oil prices last, they are likely to slow the growth of the electric vehicle market, to some extent. Lower oil prices will also challenge the biofuels sector, which competes directly with oil as a transport fuel. However, in the US there is a volumetric mandate that ethanol must make up 10% of gasoline, so that underpins demand at current levels. In Brazil, ethanol has been competing against subsidised gasoline that sells at the pump for the equivalent of $65 per barrel, so the impact on ethanol from the oil price fall so far is likely to be small.

As far as the US gas market is concerned, this Analyst Reaction expects it will remain largely unaffected by crumbling oil prices. It points out that the current level of demand in the North American gas market makes the cost of supply insensitive to oil price movements. This will not be the case in Europe. Bloomberg New Energy Finance notes here that around half of Europe's gas is supplied through long-term contracts, the majority of which is benchmarked to crude, so low oil prices translate directly into lower gas prices.

In policy news last week, Germany's grid regulator announced it will lower solar subsidy payments by 0.25% per month for January to March after installations for the 12 months to November fell 43% on the same period in 2013, to 1,953MW. Bundesnetzagentur, the regulator, said that the target corridor is 2,400-2,600MW for solar. The German PV market shrunk from 7.5GW installed in 2012 to under 2GW in 2014, as mentioned in the recent 2014 Germany Deep Dive. This decrease has been primarily due to subsidy cuts for all new systems and the imposition of a self-consumption tax for those larger than 10kW, mainly affecting PV systems built for the commercial sector.

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