

RENEWABLE ENERGY and COP 22

Can Green turn into Greenback?

As delegates meet in Marrakech for the climate change conference, **renewable energy** is high on the agenda. While **investment** has reached a new record, **profitability** in the **solar** and **wind** industries is far from impressive. Euler Hermes analyzes the way forward for companies and policymakers

Winds of change? Key figures and trends

35%

of electricity generation in Europe

\$286 billion
global investment 2015

3x

reduced gearing ratio wind industry 2013 - 2016

\$367 billion
global investment 2017 forecast

No shortage of challenges

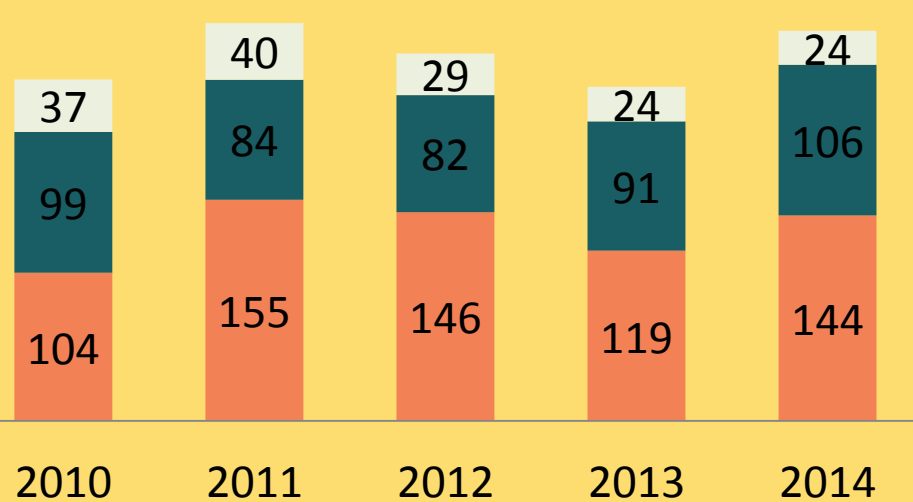
- Renewables account for only 13% of US power generation
- Solar industry: -1% operating margin (2010-2015 panel)
- Wind industry: +3% operating margin (2010-2015 panel)

Diverging paths

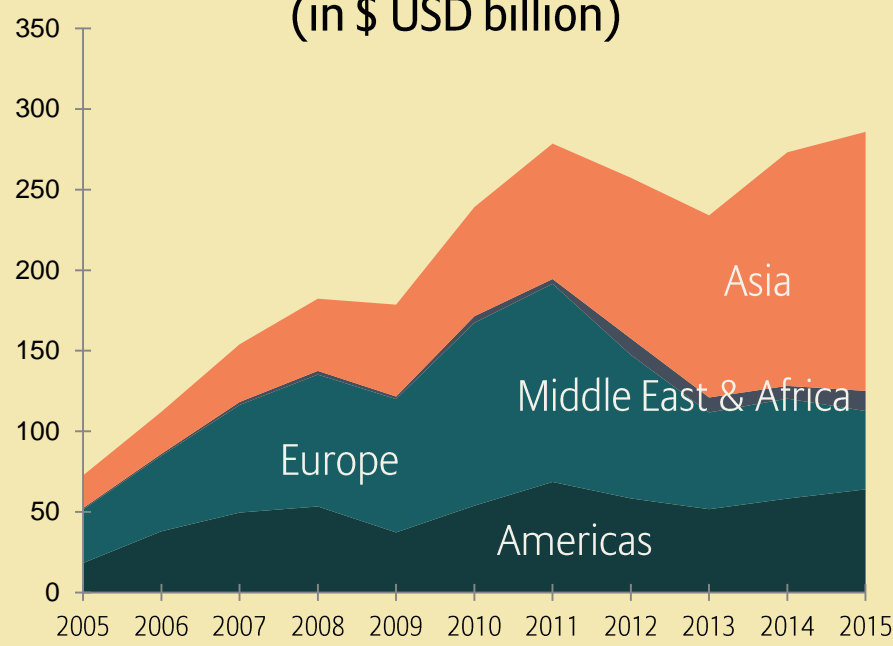
Investment in renewables, as a whole, has increased by +10% on a yearly average since oil prices collapsed in 2014. Yet renewables such as biofuels, biomass, and hydropower have been falling behind. Investment in these three industries has dropped by -15% (yearly average) between 2008 and 2015. They now account for less than 6% of the total.

Investment by type of renewable (world total in \$ USD billion)

■ Solar ■ Wind ■ Other renewables



Investment by region (in \$ USD billion)



Emerging Powers

After the solar bubble burst, photovoltaic companies' margins tumbled. European players paid a particularly high price. Nowadays, companies operating in emerging countries achieve better profitability than those focused on advanced economies. This translates into investment: +18% growth for the former, and +3% for the latter (2014-2017 forecast).

687

Billion \$ USD
TOTAL INVESTMENTS
WORLDWIDE
(2016-17 forecast)

Energized

Amid sometimes-painful deleveraging, investors' confidence seems to have bounced back. Over the next 3-5 years, solar companies should achieve above zero profitability rates, whereas the wind industry will reach a moderate +5% margin (2016 estimate).

The Economic Research Department at Euler Hermes offers a new report titled "Renewable energy: Seeing the full half of the COP". The report focuses on the wind and solar energy industries; investment and profitability; the divergence between emerging and advanced economies; and what all this means to companies worldwide.

To learn more, read or download the full report visit our website

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