

Blog Post

REFF Creates Ripples in the Clean Technology Industry

Posted on **July 1, 2010** by Roger D. Feldman

The Renewable Energy Finance Forum (REFF) held in New York this week is *the* annual event where industry leaders and wannabes meet and greet. It is a barometer of the industry's self confidence and prospect assessment. This is the year of the "game face." There is serious concern about industry prospects, notably sustained demand for wind. Solar's costs are declining, but sustained market interest in the absence of feed in tariffs, strong Renewable Energy Standards/RECs availability, is still problematic. The absence of US players and US banks in the project finance market drew notice. The effect on energy price points of shale gas on renewables competitiveness in particular, was noted as a major threat, as was the declining prospects of systematic carbon regulation.

BUT, topping the list of bright spots was renewed emphasis on US potential in the innovative technology field. It seemed to be based both on a faith in US competitiveness capability, but also on a shift in Federal funding supply emphasis to that venue. New technology investment is an area—quite unlike wind and solar—where US expenditures outstrip China's. The repeated nagging question, however, remains the ability of US firms to go from concept to successful commercialization in the US environment where the regulatory rules of the game continue in flux, the lead time for commercialization outstrips the financial patience level of investors and the simplification of environmental constraints does not appear to be a short-term priority.

How is the potential American Prometheus to be Unbound? It seems that tax credits, loan guarantees and other near-term financial measures are required to push otherwise non-financeable deals into the marketplace (remember, the Synthetic Fuels Corporation or think about the proposed Clean Energy Deployment Agency) are not what does the trick. There is a general concern that the US energy finance system of incentives and rewards may not carry the potential of innovation forward and that the cause is not just the country's deep recessionary blahs.

The problem is not the lack of dynamic capability of the US venture capital market or its entrepreneurs.

What could be done to put that market, now much more deeply familiar with cleantech, to work?

Here is what I think. REFF implicitly suggested for new government policy in this regard:

- First, focus on what will cause venture investors to have higher confidence in scale-up and on fostering end use markets for energy innovations. We're a mature economy with emerging cleantech solutions, but these ideas must find their competitive edge or have meaningful overseas, early-mover support in the emerging markets.
- Second, rethink utility regulation in terms of what it takes to allow technological innovation to find a market home. Even the senior utility executive who keynoted the Forum thought that by 2035 a significant part of the American power system would be distributed generation. But he didn't say how and, less encouragingly, he also emphasized how closely tied regulated utilities must be to their near-term cost comparison estimate analyses. We should learn from the past experiences of the finance or non-finance of demand management and energy efficiency to make this less true in the future.
- Third, focus on regulatory tie-ins to the types of new technology introduction that facilitate multiplier effects on the use of other technologies, storage- and residential-based generation/efficiency programs being two notable examples. For example, FERC has begun doing this in the transmission enhancement area.

Wherever possible, Andrews Kurth helps clients to follow these emerging strategies within the existing legal framework. We take steps to help clients change the picture where that is not likely.