

## Renewables sector shrugs off devastating effects of coronavirus

Developers of clean energy projects defy wider turmoil in the global energy markets



A solar park in Dubai: the emirate has claimed to set a new low record price for a big solar project that will begin construction in 2021 © Reuters

Leslie Hook in London MAY 6 2020



At a time when much of the global energy industry is in crisis, wind and solar projects are having their moment in the sun.

Renewable energy is one of the few sectors that has managed to weather the devastating effects of coronavirus, with new deals and new records being struck, even while the rest of the world has been grappling with the pandemic.

“Covid-19 is a terrible thing, but it doesn’t impact how much the sun shines or the wind blows,” said Simon Eaves, managing director at Capital Dynamics, an asset manager. “Renewable energy is clearly robust in this market . . . We’re actually not seeing a slowdown in deals at all.”

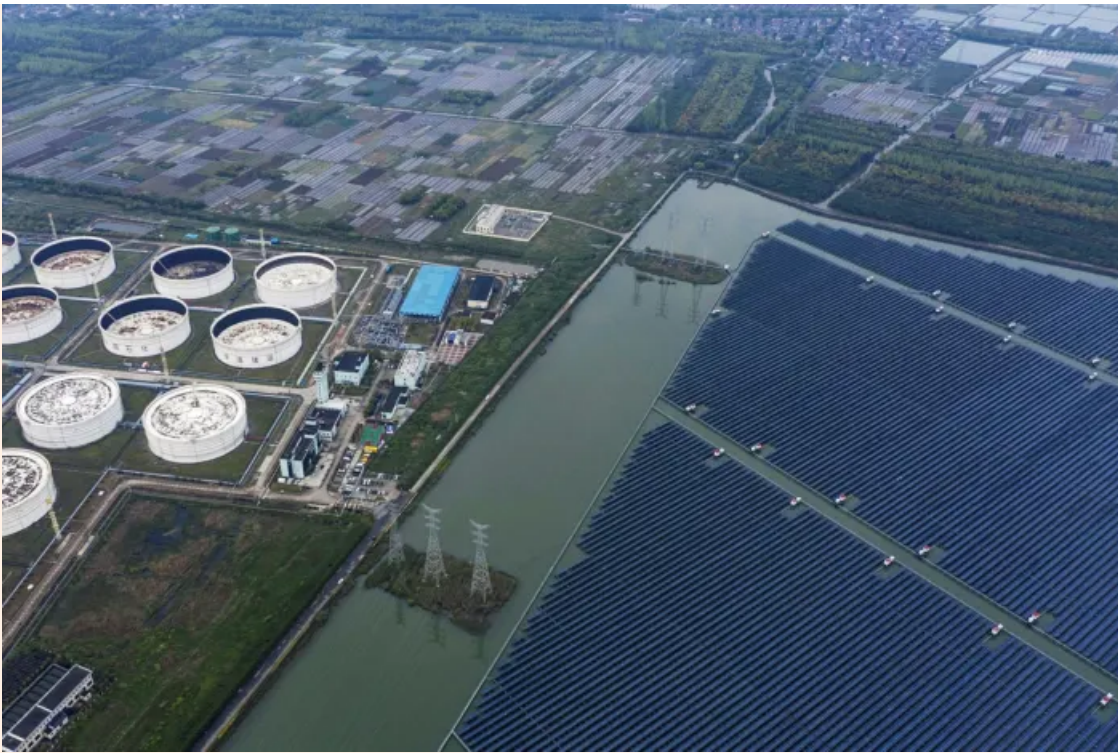
His fund, which manages more than \$6.4bn in clean energy assets, is pressing ahead with deals and on Wednesday will complete the purchase of a 133MW solar farm in Spain that will power nearly 30,000 homes.

Clean energy projects elsewhere have also defied wider market turmoil. Underscoring how much cheaper renewable energy has become, Abu Dhabi last week claimed a record-low price for a huge solar installation that will produce as much power as a small nuclear reactor. A development in Dubai has also claimed to set a new low record price for a big solar project that will begin construction in 2021.

Wind and solar sectors have not escaped the pandemic completely. A number of clean energy construction projects are being delayed due to supply chain problems and other issues. Financing costs have also increased.

BloombergNEF, a research group, has lowered its previous forecast for new wind and solar installations this year by 12 per cent and 8 per cent respectively, due to the impact of the virus.

But the renewables sector is forecast by the International Energy Agency to be the only part of the global energy system that will grow this year.



Oil storage tanks and a floating solar farm at Ningbo, China: the renewables sector is the only part of the global energy system forecast to grow this year  
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“I’m feeling strangely positive because I’m in renewables. If I was in chemicals or aviation or shipping, then I wouldn’t be,” said Mortimer Menzel, a partner at Augusta and Co, the clean energy advisory firm.

Because their returns were not correlated to stock markets, renewable assets provided a safe haven during times of volatility. “Electricity-producing assets like wind and solar projects are still generating yield today, while an airport or a bridge or a shopping centre is not,” Mr Menzel said.

One big challenge facing renewables during the pandemic is low electricity prices. Demand for electricity has slumped by as much as 20 per cent in those parts of Europe that are under lockdown. “We’ve seen a big decrease,” noted Mr Eaves.

### Editor’s note



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But because renewables have preferential access to the electricity grid, they have taken up a larger share of supply as coal and gas have been pushed out entirely. Most wind and solar projects are also insulated from the market price, either through fixed tariffs or long-term purchase deals — further limiting the impact on renewable owners.

“This is a long-term business, so people aren’t looking at the three to six-month electricity price,” said Mr Eaves. “They’re looking at where they want to be in 10 years.”

A big source of demand for clean energy projects is from corporate buyers, who often sign long-term

agreements to buy electricity at a fixed price.

Yet the drop in oil prices this year does complicate the picture. The US oil benchmark, currently trading at \$26 a barrel, is down 60 per cent since the start of January.

Crude does not compete with wind and solar because it is not used to generate electricity, but it could have more impact on areas such as electric vehicles, which are less cost competitive when oil is cheap.

Anyone pondering whether to purchase an electric car or a fuel-guzzling sport utility vehicle would have noticed the economics of that decision have changed dramatically in recent months, said Dieter Helm, professor of economics at Oxford university.

He is pessimistic about the impact the pandemic will have on renewable energy, pointing out that governments might be unwilling to support clean energy projects after they have already spent so much on their response to the virus.

“The truth is, there is no money. Consumers will not be able to absorb the extra cost in their electricity bill,” Prof Helm said.

The expected global recession that will follow will highlight divisions between places where solar and wind power are already cost competitive on their own terms, and places that rely on government subsidies.

The new projects in Abu Dhabi and Dubai show how the cost of solar panels and wind turbines have fallen. A recent BloombergNEF report estimated that renewables were now the cheapest source of new electricity for more than two-thirds of the world’s population.

However, a prolonged period of cheap natural gas, which is used to produce power, could be a challenge for renewables by pushing down the cost of electricity.

Fatih Birol, head of the International Energy Agency, told the Financial Times he was concerned that cheap oil and gas could harm the transition to clean energy. “I am afraid it will be an additional barrier,” he said, referring to competition from cheap gas power. “Life for renewables may be even more difficult.”

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