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SHEPHERDING CLEAN ENERGY PROJECTS THROUGH THE "VALLEY OF DEATH"

Washington, June 21, 2010—A new report issued by Clean Energy Group (CEG) and Bloomberg New Energy Finance (BNEF) undertakes a much-needed evaluation of current gaps in clean energy financing, offering recommendations to address the so-called commercialization "Valley of Death" financing shortfall that occurs before a clean energy technology can achieve commercial viability. The findings, based on analysis of interviews with more than five dozen industry thought-leaders and underlined with quantitative research from Bloomberg New Energy Finance's Intelligence database, are contained in the white paper "Crossing the Valley of Death: Solutions to the next generation clean energy project financing gap."

Clean Energy Group, with the support of The Annenberg Foundation, commissioned Bloomberg New Energy Finance to join in the study, which examines the shortage of capital for clean energy technologies that require extensive and expensive field-testing before being deployed. Clean Energy Group and Bloomberg New Energy Finance conducted over 60 open-ended interviews with technologists, entrepreneurs, project developers, venture capitalists, institutional investors, bankers and policymakers from 10 countries across the globe to provide solutions on how to address the "Valley of Death" phenomenon.

Ken Locklin, Clean Energy Group's director of finance and investment, said, "This study presents some exciting new approaches to overcome this Valley of Death financing challenge that we should explore further. These new strategies include a 'reverse auction' utility finance proposal from California and insurance products to cover technology risks for emerging clean energy products. Our study is just a first step; the next steps are to come up with realistic solutions that will help quickly move many cost-effective clean energy technologies to commercial scale deployment."

Michael Liebreich, Bloomberg New Energy Finance chief executive, said, "In the past few years we have witnessed a pre-Cambrian explosion of technologies offering possible routes to reducing the cost of low-carbon energy by an order of magnitude. However, for these technologies to achieve their potential, they must first be tried at commercial scale. The lack of project financing for the first few commercial-scale projects – the so-called Valley of Death – has been a very significant obstacle until now. We undertook this study with two goals in mind: first to survey and measure the Valley of Death; and second, to examine financial and policy mechanisms which could create a bridge across it. We hope it can help to break the logjam stopping new technologies that could change the world from getting to market."

The report identifies two critical locations where a shortfall of capital often comes into play. The first occurs early in a technology's development, just as it is ready to exit the lab. The second occurs later, when much more substantial levels of capital availability are needed to prove the viability of a new technology at commercial scale. The problems posed by this commercialization funding challenge represent fundamental, structural market shortcomings that most experts believe cannot be resolved by the private sector acting on its own. Even in good times, when lending standards are most flexible, banks and other financial institutions are simply not structurally positioned to back large-scale projects deploying new technology.

Offering solutions to the problems posed by the "Valley of Death," the 24-page white paper is structured in two principal sections: (i) a brief look at what the "Valley of Death" actually is and why traversing it is of the utmost importance; and (ii) an exploration of various potential financing or policy solutions that directly address the "Valley of Death" conundrum.

From the myriad ideas and probable solutions gleaned from the over five dozen interviews conducted, the white paper identifies three that are particularly novel and worthy of immediate further study:

- **Emerging Technology Reverse Auction Mechanism:** A public-sector body would encourage developers of projects that employ novel technologies deemed to hold special promise to "bid in" alongside others in a competitive process to win under an offered fixed tariff cap.
- **Efficacy Insurance:** Commercial insurers with appropriate levels of technical expertise could assess and support cutting-edge technologies too risky for conventional insurance coverage with "efficacy insurance," potentially receiving support for a portion of their risk in the form of publicly guaranteed or funded reinsurance pools.
- **A Government-Backed Commercialization Finance Investment Entity:** A similar concept is currently under consideration by the U.S. Congress in the form of the Clean Energy Deployment Administration (CEDA). Seeded with federal dollars and perhaps leveraged via a "delegated investment authority" partnership with already-engaged private sector institutions, CEDA would be expected to make investments in projects that help advance key clean energy technologies deemed in the national interest.

A copy of the report can be downloaded from the Bloomberg New Energy Finance website, at: http://bnef.com/free-publications/white-papers/ .

ABOUT CLEAN ENERGY GROUP

Clean Energy Group (CEG), a national U.S. nonprofit organization, promotes effective clean energy policies, develops low-carbon technology innovation strategies, and works to develop new financial tools to stabilize greenhouse gas emissions. Clean Energy Group concentrates on climate and clean energy issues at the state, national, and international levels, as it works with diverse stakeholders from governments as well as the private and nonprofit sectors. For more information on Clean Energy Group: http://www.cleanegroup.org.

ABOUT BLOOMBERG NEW ENERGY FINANCE

Bloomberg New Energy Finance (BNEF) is the world's leading independent provider of news, data, research and analysis to decision-makers in renewable energy, energy smart technologies, carbon markets, carbon capture and storage, and nuclear power. Bloomberg New Energy Finance has staff of more than 130, based in London, Washington D.C., New York, Beijing, New Delhi, Hyderabad, Cape Town, São Paulo, Singapore, and Sydney.

Bloomberg New Energy Finance Insight Services provide deep market analysis to investors in wind, solar, bioenergy, geothermal, carbon capture and storage, energy efficiency, and nuclear power. The group offers Insight Services for each of the major emerging carbon markets: European, Global Kyoto, Australia, and the U.S., where it covers the planned regional markets as well as potential federal initiatives and the voluntary carbon market. Bloomberg New Energy Finance's Industry Intelligence Service provides access to the world's most comprehensive database of investors and investments in clean energy and carbon. The News and Briefing Service is the leading global news service focusing on clean energy investment. The group also undertakes applied research on behalf of clients and runs senior-level networking events.

New Energy Finance Limited was acquired by Bloomberg L.P. in December 2009, and its services and products are now owned and distributed by Bloomberg Finance L.P., except that Bloomberg L.P. and its subsidiaries (BLP) distribute these products in Argentina, Bermuda, China, India, Japan, and Korea. For more information on Bloomberg New Energy Finance: http://www.newenergyfinance.com

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