Press Release

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Contact	Rowena Mearley, PwC Media Relations Tel: +44 207 213 4727 e-mail: rowena.mearley@uk.pwc.com
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Renewables M&A hits new record highs

- *Total renewables deal value leaps 40% worldwide, driven by industry shake-out*
- *Billion dollar deals dominate*
- *Reappraisal of nuclear post Fukushima gives extra boost to renewables' generation and prospects*
- *Significant deal flow expected throughout 2012 despite industry and economic uncertainty*

30 Jan 2012 -- Deals for 'new generation' renewable technologies – wind, solar, biomass - are entering the big time driving the market to new record highs, reports PwC in its annual global analysis of merger and acquisition (M&A) transactions in the renewable sector.

Deal values rose 40% year on year, from US$38.2bn in 2010 to a record level of US$53.5bn in 2011. Billion dollar deals dominated, as solar, wind and energy efficiency deals overtook hydropower as the driver for big deal values for the first time. One in every three deals last year was solar and overall deal value for the sector is up 56% from US$10.2bn to US$15.8bn.

A reappraisal of the role of nuclear in many countries' national energy strategies after the Fukushima emergency has provided an extra impulse for renewable generation in certain markets. There was also continued strong momentum behind deal activity in the solar and energy efficiency sectors. Buoyed by the increase in big transactions, deal value in these two sectors nearly doubled year on year. Together, they account for the vast majority (79%) of the US$15.3bn increase in the total value of all renewables deals.

Paul Nillesen, partner, PwC renewables said:

> "Dealmaking in the renewables and energy efficiency sectors is intensifying as the sector evolves. Sustained high deal numbers and record total value reflect a maturing of the sector. The trend is all the more noteworthy given the uncertainty in the market and in government policies on renewables. We believe that deal flow will continue to be significant in the medium term."

Falling solar prices are making solar power more economic and closer to grid parity in some markets. The entrance of pension and insurance funds, most notably via the $1.3bn investment by Danish pension insurance groups in offshore wind in Denmark, confirms the trend towards a maturing market and the creation of secondary markets, with assets sold for a second or third time. But the report warns that the sector is facing considerable growing pains.

Paul Nillesen, partner, PwC renewables, said:

> "US and European manufacturers are coming under cost pressures. They are not alone. Some Chinese manufacturers also face heavy debt and are coming under competitive strain. There is significant overcapacity in China. The result is likely to be a succession of tie-ups within and between the main manufacturing territories of the US, Germany and China leading to a smaller number of big global players."

As well as expecting to see a smaller number of global players in the solar market, PwC also says that consolidation among larger players is likely to occur in the windpower sector. Two recent profit warnings from Danish company Vestas are the most high profile example of the challenges facing some windpower companies.

Ronan O'Regan, director, renewables and cleantech, PwC said:

> "As offshore wind projects increase in size, the need for a strong balance sheet to support the technology becomes more important. This creates scope this year for a landmark wind power combination between players from one or more of Asia Pacific, Europe and North America."

Continued rolling uncertainty on the eurozone crisis will make the deal environment much more difficult for 2012 according to the report. A deeper crisis would undoubtedly dampen deal flow further, but Paul Nillesen, partner, PwC renewable said the market uncertainty might not block the big deals:

> "Staying out of the markets in the hope things will improve cannot be assumed to be the right strategy. The potential for further destabilisation domestically, or at an inter-governmental level cannot be ruled out, but if a deal is highly strategic, and mission critical, then parties will still feel it is worth doing on the right terms."

Notes

1. *Renewables Deals* includes analysis of all global renewable energy and clean technology M&A deal activity. This year, the analysis is based on transactions from Clean Energy pipeline's proprietary M&A database, provided by Venture Business Research. Figures relate to the actual stake purchased and are not grossed up to 100%. The analysis also includes deals with undisclosed value. Deals where the transaction value is undisclosed are assigned an average transaction value using a methodology derived from Clean Energy pipeline's proprietary M&A data.

2. Deal volumes and values:
   - European deal volumes dipped 6%, but overall value rose 80% from US$16.7bn to US$30bn
   - North American deal volumes dipped 5%, with deal value also down 5% from US$13bn to US412,4bn
   - South American deal volumes rose 90%, with total value up from US$3.2bn to US$6.8bn
   - Asia Pacific (including Australasia) deal volume was down 26% but value rose 15% from US$4bn to US$4.6bn.

3. PwC firms help organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.