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Greek Crisis and Euro Fall Snare Clean-Energy Stocks

As Europe grapples with the fallout from Greece's economic woes, at least one unexpected corner of the economy is suffering: renewable energy companies.

That's because few wind, solar, and other green power installations would be profitable without subsidies, and as governments across Europe curb spending in response to the Greek crisis, those funds are being cut back, Bloomberg Businessweek reports in its May 24 issue.

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German lawmakers on May 6 reduced subsidies to new solar plants by as much as 16 percent. Italian solar industry groups expect support for new generators to be scaled back by as much as a quarter in June.

In Spain, producers have offered reductions of up to 30 percent on subsidies for new solar cell installations. The government may also cut its backing for existing plants, which had been built with an expectation of guaranteed prices for 25 years, a spokesman in the industry ministry said last month.

Euro Decline

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For companies based outside of Europe, the pain is compounded by the decline in the euro whose value has been undermined by the Greek crisis. Profits for North American companies selling their products into Europe declined as the currency fell 14 percent against the dollar this year.

Canadian Solar Inc., a panel maker based in Kitchener, Ontario, took a \$20 million charge for foreign-exchange losses in the first quarter and may see earnings fall 84 percent if the euro averages \$1.25 this year, Barclays estimates. The currency traded at \$1.23 yesterday.

Currency Losses

Profits for Baoding, China-based solar-cell maker Yingli Green Energy Holding Co. would fall 42 percent with the euro at \$1.25, while Chinese rival Suntech Power Holdings Co. would see a 79 percent drop, according to the Barclays analysis.

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The troubles are taking a toll on stocks. Canadian Solar

is down 49 percent since April 1, and Suntech is off by 32 percent. The 88-company WilderHill New Energy Global Innovation Index has fallen by 19 percent since then, compared with a 12 percent decline for the MSCI World index. Canadian Solar fell as much as 7.3 percent before rebounding to gain 29 cents to \$12.29 today.

Spanish wind turbine-maker Gamesa Corp. Tecnologica SA, which is laying off a 10th of its workers after sales slumped 43 percent in the first quarter, has seen its shares tumble 24 percent since April 1. The company aims to weather the trouble as it expands overseas.

'Delay Our Plans'

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American Superconductor Corp., the wind-turbine component manufacturer that has around half its costs in euros and most of its sales in China, boosted its gross margin by around 1.5 percentage points in the first quarter after switching its contracts to renminbi from euros last year. The company is also adding staff at its Klagenfurt, Austria, research center because the euro's decline makes it cheaper to run European operations.

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