
Event Report

“Acciona and the Global Renewable-Energy Sector”: A Presentation by Peter Duprey

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On November 8, 2007, Columbia Business School’s Energy Club welcomed Peter Duprey, CEO of Acciona Energy North America, to discuss the company’s guiding philosophy and business strategy in the renewable-energy industry. Acciona, a Spanish conglomerate principally operating in the energy and infrastructure sectors, is one of the world’s foremost producers of renewable energy. The group reported net profits of €1.4 billion in 2006 on revenues of €6.3 billion. Ernst & Young named Acciona, whose slogan is “Pioneers in development and sustainability,” 2007 Corporate Developer of the Year for its contribution to large-scale renewables projects. Several dozen students attended Mr. Duprey’s presentation.

Peter Duprey first described how he began his career in renewable energy at General Electric at the time that GE bought Enron’s wind-energy division. He previously served in GE’s corporate finance division and at a dot-com start-up as chief financial officer in the 1990s. Mr. Duprey sees many parallels between those Internet boom years and current international interest in renewable energy, except that, by definition, renewables are sustainable and won’t become a mere investment fad. Acciona, Mr. Duprey said, acts like a venture capital firm, exploring new technologies that have similarly high levels of risk and potential reward. Deciding which technologies deserve the firm’s investment is a delicate matter.

Global investors currently love renewable energy stocks. The Cleantech Index, which tracks 47 leading companies in 11 sectors related to renewable energy, sustainable development and environmentally friendly business practices, is up 28.6 percent over the last 12 months. These leading companies have a combined market capitalization of more than \$285 billion. According to the

Wall Street Journal, six European wind-energy firms plan to hold initial public offerings in the near future, including one of Acciona’s Spanish rivals, which is seeking to raise more than €4 billion.

Mr. Duprey briefly summarized four familiar reasons for the popularity of renewable-energy stocks. First, public awareness, and acceptance, of the human causes behind climate change has reached a tipping point. The issue will remain pressing in the coming years as increasingly catastrophic evidence of global warming becomes unavoidable. Second, rising fossil fuel prices hurt consumers, especially in developed countries. Those consumers put pressure on politicians, resulting in the third and fourth factors: international concern about energy security and explicit government support for alternative fuels. In the United States, this takes the form of tax incentives for ethanol and other biofuels; elsewhere, it appears in the momentum toward a newly revised version of the landmark Kyoto treaty on greenhouse gas emissions.

When it comes to renewable energy, “the U.S. is finally getting religion,” Mr. Duprey said. Renewables currently represent 7 percent of total U.S. energy consumption according to the federal Energy Information Administration, and that share has been climbing steadily. The viability of the sector comes down to predictable and supportive behavior from legislators and regulators, rather than the on-again, off-again support that has undermined previous efforts, he said. Mr. Duprey recalled that during his time at General Electric the firm wrote off a multibillion-dollar investment in renewable energy technology after the U.S. government took too long to implement a series of promised financial incentives. “The technology is here,” he said. “We don’t have to invent anything. We just need a stable policy.”

When those stable policies do materialize, they produce spectacular results. Thanks to the federal Renewable Production Tax Credit, which lets wind-energy firms offset their tax bill by \$0.019 for every kilowatt-hour produced, the amount of wind power generated in the United States jumped 45 percent last year. Last summer, Acciona North America flipped the switch on the first major solar power plant to go live anywhere in 16 years. Located on 400 acres of desert outside Las Vegas, Nevada, the site uses concentrated solar power (CSP) to create 64 megawatts of electricity and an expected 134 million kilowatt-hours per year—enough to power 15,000 U.S. households. Essentially, row upon row of panels at the site reflect and focus the sun’s rays on a central point, heating up fluid that then generates electricity via a generator.

Mr. Duprey emphasized the economic impact of such projects. Renewable energy sources like wind and solar offer one often-overlooked benefit, he said: employment in remote rural areas. Construction of Acciona’s Nevada plant provided jobs for hundreds of local people, some

of whom have continued to maintain the plant. Acciona Energy’s two subsequent solar-power developments, in Spain, will be more than double the size of the Nevada site. Despite such sizable investments, solar power has not yet reached its peak efficiency and lags wind energy by 5 to 10 years technologically. Individual turbines that produce three megawatts of electricity from solar lie not far off, but wind is “cresting” in terms of efficiency, Mr. Duprey said.

Besides Acciona, several firms represent the European invasion of the North American renewable-energy industry. Airtricity, an Irish wind-energy company, recently sold its American operations in Texas to E.ON of Germany, the world’s largest publicly traded utility, for \$1.4 billion. Several other deals have broken the billion-dollar mark. For Mr. Duprey, that interest from across the Atlantic can only be a good thing. “They’ll bring expertise and a longer-term focus,” he said. “The Europeans have more experience in running renewable power plants than the Americans. They’ve been doing it longer, and they think about life-cycle costs, not the cost of a turbine.”

Mr. Duprey also addressed the talent shortage in the industry—one of the reasons for his visit to Columbia Business School—and described a two-year renewable-energy leadership program that he hopes to launch for new MBA hires at Acciona Energy North America. That type of executive development may be copied from GE, but Mr. Duprey hopes it has a bright and sustainable future all its own.

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