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Oil Companies Are Collapsing, but Wind and Solar Energy Keep Growing

The renewable-energy business is expected to keep growing, though more slowly, in contrast to fossil fuel companies, which have been hammered by low oil and gas prices.

8 minute Solar Energy temporarily stopped building a solar farm near Fresno, Calif., because of the coronavirus pandemic. Credit...Deanne Fitzmaurice for The New York Times

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A few years ago, the kind of double-digit drop in oil and gas prices the world is experiencing now because of the coronavirus pandemic might have increased the use of fossil fuels and hurt renewable energy sources like wind and solar farms.

That is not happening.

In fact, renewable energy sources are set to account for nearly 21 percent of the electricity the United States uses for the first time this year, up from about 18 percent last year and 10 percent in 2010, according to one forecast published last week. And while work on some solar and wind projects has been delayed by the outbreak, industry executives and analysts expect the renewable business to continue growing in 2020 and next year even as oil, gas and coal companies struggle financially or seek bankruptcy protection.

In many parts of the world, including California and Texas, wind turbines and solar panels now produce electricity more cheaply than natural gas and coal. That has made them attractive to electric utilities and investors alike. It also helps that while oil prices have been more than halved since the pandemic forced most state governments to order people to stay home, natural gas and coal prices have not dropped nearly as much.

Even the decline in electricity use in recent weeks as businesses halted operations could help renewables, according to analysts at Raymond James & Associates. That's because utilities, as revenue suffers, will try to get more electricity from wind and solar farms, which cost little to operate, and less from power plants fueled by fossil fuels.

"Renewables are on a growth trajectory today that I think isn't going to be set back long term," said Dan Reicher, the founding executive director of the Steyer-Taylor Center for Energy Policy and Finance at Stanford University and an assistant energy secretary in the Clinton administration. "This will be a bump in the road."

Of course, the economic slowdown caused by the fight against the coronavirus is taking a toll on parts of the renewable energy industry just as it is on the rest of the economy. Businesses that until recently were adding workers are laying people off and putting off investments. Among the hardest hit are smaller companies that sell solar panels for rooftops. Their orders have dropped steeply as customers put off installations to avoid possible contact with the virus.

A sharp drop in the price of solar panels has helped the industry expand. Credit...Deanne Fitzmaurice for The New York Times

Luminalt, a solar and electricity storage company based in San Francisco that employs 42 people, recently told most of its installers to seek unemployment benefits as the company's residential jobs — normally six a week — have all but evaporated. Jeanine Cotter, Luminalt's chief executive, told workers that the company would cover their benefits but that there was no money coming in to pay all of them.

A half-dozen employees are installing solar at an affordable-housing project that has kept them working, and some who handle business operations are working from home. But Ms. Cotter worries about some installers who joined the company through San Francisco's work force development program and depend on weekly paychecks to make ends meet.

"Revenue has stopped," said Ms. Cotter, who helped found the business 15 years ago. "It's very confusing right now."

The Solar Energy Industries Association, a trade group, estimates that half of the 250,000 workers in the industry could lose their jobs at least temporarily because of the coronavirus outbreak. The association has downgraded projected growth by as much as one-third of the more than 19 gigawatts of new solar capacity that was expected this year.

But independent experts, including Wood Mackenzie, an energy research and consulting firm, say those projections could be overly pessimistic. “It’s still too early to call,” Ravi Manghani, head of solar at research at Wood Mackenzie. “The situation is changing on a daily basis.”

His firm estimates that solar and wind power will continue adding capacity this year and next. New wind installations might be down only about 3 percent from earlier projections, largely because wind turbines are typically erected outside urban areas, and many states have deemed construction an essential activity during the pandemic.

In a report last week, Raymond James analysts estimated that renewable energy sources would provide 20.7 percent of the nation’s electricity this year and at least 20 percent through 2022.

Although hydroelectric plants have long helped power homes and businesses, solar and wind power emerged as major energy sources only over the last 15 years or so. A sharp drop in the price of solar panels has helped the industry expand. Last year, solar capacity increased 23 percent from the year before. It added 13.3 gigawatts, exceeding new wind and natural-gas generation, according to industry data.

“We blew through all of the projections,” said Caton Fenz, chief executive of ConnectGen, a wind, solar and electricity-storage developer based in Houston. “We’re surfing a long-term wave,” he said. “We just can’t get specific things done because of the pandemic, but I don’t think that affects the broader trajectory.”

A wind turbine on the Aegean island of Tilos, Greece. The country is working to retire fossil fuel plants and replace them with renewables. Credit...Iliana Mier/Associated Press

His company, which is 22 months old, has 3,000 megawatts — the equivalent of three large power plants — under development in 11 states. About 40 percent is wind projects, 40 percent solar and the rest electricity storage.

Among the company’s backers is 547 Energy, an investment firm that specializes in renewable energy. Gabriel Alonso, who runs 547 Energy, said his firm received its funding from Quantum Energy Partners, which had long been an investor in oil and natural gas.

“As an investor in clean energy, renewable energy, the fundamentals that drove us to invest have not changed,” Mr. Alonso said.

Even as the pandemic spread, Mr. Alonso’s company won a bid last week for part of a new electricity project in Greece. His company will develop a wind farm in the northern regions of Imathia and Kozani. The auction, on Thursday, was part of a larger effort by Greece to retire fossil fuel plants and replace them with renewables.

Many renewable companies have projects around the world and have benefited from government efforts to address climate change. That has helped drive down costs of wind and solar equipment and made the industry more resilient to economic swings.

In addition, because developers can build wind and solar farms more quickly than natural-gas, coal and nuclear plants, Mr. Alonso said, the renewables have become more attractive financially. In difficult economic times like these, he said, private equity investors like Quantum are eager to seize on businesses that can quickly scale up and start earning money.

That said, solar businesses in particular are worried that the disruptions caused by the pandemic are serious enough that they are seeking help from Congress. Lobbyists for renewable energy are asking lawmakers to make it easier for their industry to take advantage of tax credits the government provides for wind and solar power.

Last year, solar capacity increased 23 percent from the year before. Credit...Deanne Fitzmaurice for The New York Times

Developers usually enter into partnerships with banks and other financial institutions that can more efficiently make use of the tax credits than the contractors building renewable energy projects. The banks receive the tax credit and a share of the cash flow from the project typically for six to 10 years.

But because demand for loans has shot up as businesses across the economy struggle, banks have been less able to finance new projects, said Josh Goldstein, chief operating officer at 8minute Solar Energy, a developer of large solar farms. Solar and wind industry officials want Congress to streamline the process for obtaining tax credits and make the credits refundable so that their businesses could benefit directly.

“Their credit committees are in crisis mode,” Mr. Goldstein said about banks. “This disruption can have a particularly damaging effect.”

8minute Solar was recently forced to suspend work on the Lotus Solar Project, a 67-megawatt solar farm north of Fresno, Calif., that it is building for Allianz Global Investors. Officials said it was unclear whether the work, which employed about 50 people, was considered “essential.”

But the Department of Homeland Security included electricity production on its list of essential activities last month, affirming legal advice that 8minute had received, and the company sent workers back to finish construction.

The solar industry expected to add more panels in 2020 than in any other previous year, said Abigail Hopper, president of the Solar Energy Industries Association. That won’t happen now, but the industry is still poised to add capacity.

“We believe, over the long run, we are well positioned to outcompete incumbent generators,” Ms. Hopper said.