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TIANJIN (AFP) - In a laboratory in northern China, technicians are breeding billions of micro-organisms in test tubes to create enzymes -- proteins that can turn plant waste into clean-burning biofuels.

The facility near the port city of Tianjin belongs to Novozymes, a Danish biotechnology company and one of a growing number of foreign firms in China benefiting from Beijing's massive investment in green energy.

"The situation has never been better," Michael Christiansen, president of Novozymes China, told AFP in an interview.

Beijing has pledged to spend 738 billion dollars developing clean energy over the next decade as it seeks to meet a target of generating 15 percent of its energy from renewable sources -- mainly wind and water -- by 2020.

China's vast market, deep pockets and favourable policies for clean technology -- a key theme of last week's World Economic Forum's "Summer Davos" in Tianjin -- are attracting a growing number of foreign companies which face a severe funding shortage in their home markets due to the global crisis.

"I think China is seen as a very good market to commercialise technology at scale and there is a great market to try to generate long-term competitive advantage around clean technology," Ernst & Young analyst Ben Warren told AFP.

China leapfrogged the United States to become the most attractive market for renewable investment this year, the global accounting firm said in a report published this month.

It was also the most attractive market for investment in wind power after Beijing announced plans to launch 90,000 mega-watts of wind capacity by 2015, the report said.

Beijing's pledge last year ahead of global climate talks in Copenhagen to reduce carbon intensity -- the measure of greenhouse gas emitted per unit of economic activity -- by 40-45 percent by 2020 based on 2005 levels has been a beacon to foreign companies, analysts said.

"Things are tough for companies here (in the West) -- we have a shortage of debt financing," said Nicholas Parker, executive chairman of US-based clean technology research firm Cleantech Group.

China a beacon for foreign clean tech firms

Written by AFP / The Swedish Wire

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"The money for deployment, for building wind farms or for building a factory where you tend to use debt financing, has dried up due to the crisis on Wall Street. That shortage doesn't exist in China."

Local government officials -- threatened with the loss of their promotion if they fail to meet energy reduction targets -- are falling over themselves to attract foreign investment in clean technology, offering firms free land and money for research and development.

State-owned banks also offer loans to green technology firms at much lower interest rates than those available in the United States, according to a report by US think tanks Breakthrough Institute and the Information Technology and Innovation Foundation.

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"China currently has what seems like the most aggressive incentives for production of renewable energy and the closest thing to a coherent policy," said Michal Meidan, an analyst at political risk research firm Eurasia Group.

Demand for financing in the clean energy technology industry could reach two trillion yuan (297 billion dollars) in the next decade, the China Daily reported this month, citing a government official.

To meet these growing needs for money, China could create a market for yuan-denominated "green bonds" to support the environmentally friendly sector, said Gao Cailin, a finance official in the northeastern province of Jilin.

China -- whose pollution woes have been worsened by decades of rampant economic growth -- is pushing harder than Western governments to develop clean energy technology because it is "mission critical", said Parker.

"This is essential in China whereas Western countries think maybe today, maybe tomorrow," he said.

Despite its eagerness for foreign investment, Beijing has sought to protect certain domestic industries such as wind power from overseas competition.

"They only let companies in when they think they can benefit from it," said Thomas Maslin, an analyst at IHS Emerging Energy Research.

Foreign companies also face significant challenges in China such as the lax protection of intellectual property and policies favouring Chinese companies.

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Novozymes has been in China for 15 years and now counts the market as its second biggest after the United States, underlining the potential for growth in the world's second-largest economy.

"China has the interest and the policies and the funding to drive green technology," said Christiansen.

"This is not the flavour of the day -- it will last for many, many years. We are just seeing the start of it."