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Australia missing out on clean-tech revolution

- GREENCHIP: Giles Parkinson
- From The Australian
- April 12, 2010 12:00AM

ONE swallow does not make a summer unless, perhaps, you are in the Australian clean-tech sector. For the first time in longer than most will care to remember, the Australian CleanTech Index managed to outperform its mainstream rivals in March, posting a 7.3 per cent gain, compared with a 7 per cent rise for the S&P/ASX200.

But this heroic effort could not disguise the sector's chronic underperformance against the broad index over the course of this fiscal year (down 9.5 per cent compared with a 25.6 per cent gain) and the year before.

Part of the problem, says John O'Brien, managing director of Australian CleanTech, is that the index is dominated by just a few companies. The lack of depth is a weakness, not just for the index, but for the local industry.

Unless the company is in water, waste or wind, it is probably not generating serious revenue. There are many reasons, including the poor performance of the listed sector, to fear that the clean-tech revolution is passing Australia by.

Arkx, a fund that specialises in international clean-tech stocks, has recorded an 8.03 per cent gain for March, taking its 12-month cumulative gains to 81.3 per cent, with the NEX, an international benchmark, rising 37 per cent over the same period.

The strength in the international clean-tech sector markets simply reflects global trends in clean tech and clean energy, and Arkx has many seriously big companies to invest in.

US-based Pew Charitable Trusts last month predicted that global clean energy investment was expected to jump 25 per cent this year to \$US200 billion (\$214bn), led by China, Britain, Germany and Spain, and said that last year the amount of installed renewable energy capacity reached 250GW, enough to power 6 per cent of the globe's households.

Other data highlights the gap between what is happening here and overseas. The Australian Venture Capital Association estimates just \$25 million was invested in Australia in clean-tech venture companies last year. Data released this month by Deloitte and the US-based Cleantech Group showed a record \$US1.9bn in technology venture investments in North America, Europe, China and India in the March quarter alone, a rise of 29 per cent from the previous quarter and 83 per cent from the same period a year ago.

The most attractive sectors are "smart mobility" (electric cars and grids) and resource efficiency. Also notable was the sharp increase in new investment from utilities and corporations. The established industrial giants are starting to make that transition.

The Australian Cleantech Review, launched last week, highlighted the low level of investment in the Australian clean-tech sector, which is still regarded as a niche or speculative investment opportunity, in comparison to the enormous growth

driven by regulatory measures in Europe, a voracious appetite from the US venture capital industry, and massive green stimulus packages in China and Korea.

"Australia appears to be lagging on all of these fronts," the report says. "The government stimulus is fragmented and small, the regulatory measures are providing some assistance and the venture capital industry is under-funded. This might explain why the Australian CleanTech Index performed so poorly over the second half of 2009 when global clean-tech indices were outperforming the general market. There are only a few large clean-tech companies in Australia and without this depth to the sector, it is difficult for momentum to be built at a policy or investment level."

London firm moves to Sydney

GIVEN the lack of progress in Australia's climate policies, this country might seem a curious choice for the headquarters of an international climate change legal practice. But at least the time zone is right.

The decision by Norton Rose Group's head of climate change, Anthony Hobley, to relocate from London to Sydney has more to do with the fact that the centre of carbon finance and climate change activities is shifting from Europe to the Asia-Pacific region. "There is an evolution going on from Copenhagen," says Hobley. "There is a realisation that we are not going to move to a unified carbon market and financing is going to be driven by a bottom-up process. What is interesting for many companies based here and globally are developments in China, India and Indonesia. The investment opportunities are huge."


Hobley leads a core team of 10 climate change and carbon specialists in Australia, with another half-dozen in Asia and a total of 35 worldwide. Since its merger with Deacons, Norton Rose says it is now the largest international legal firm in Australia, and it wants to achieve the same ranking in the so-called green economy.

"If you take the view that climate change is the most serious issue of our time, and a trillion dollars needs to be deployed, then Australia should be looking at the opportunities to position itself to be part of that investment bonanza," Hobley says.

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