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## Australian Cleantech Review 2010: Industry Status and Forecast Trends

The Australian Cleantech sector will be profiled in a report to be published at the Sydney Cleantech Network event on the evening of Thursday 8<sup>th</sup> April.

The report provides an overview of the location, activities, revenue, employee numbers and funds raised by all of Australia's leading cleantech companies.

It is being published by Australian CleanTech, a research and advisory firm that works for cleantech companies, investors and governments to deliver both an understanding of and growth in the sector.

John O'Brien, Managing Director of Australian CleanTech, said, "We are often asked how big the sector is in Australia, how many people are employed and what the revenues are. After being asked many times, we decided to find out the answers."

To be able to analyse the cleantech sector, it is first necessary to define the composition of the sector. The definition of cleantech used in this report is that it comprises of:

*Economically viable products, services and processes that harness renewable materials and energy sources, dramatically reduce the use of natural resources and cut or eliminate emissions and wastes.*

More concisely it contains products and services that have 'economic and environmental benefits'. The sub-sectors of cleantech include renewable energy, water, waste and recycling, construction materials, energy efficiency, carbon trading and environmental services.

The analysis of the 420 Australian cleantech companies provide some interesting patterns in the sub-sectors with the greatest activity levels and the regions in which they are based. The overview data for these companies is shown in the table below. As a sector, the companies had a combined revenue of \$9.2 billion and employed over 13,000 people. They raised a total of \$2.3 billion in new funds during the 2009 calendar year in 86 separate capital transactions. Each of these transactions is detailed in the report.

	Listed	Unlisted	TOTAL
<b>Number of Companies</b>	87	333	420
<b>Market Capitalisation (\$m)</b>	\$11,247m	N/a	N/a
<b>Revenue (\$m)</b>	\$7,520m	\$1,718m*	\$9,238
<b>NPAT (\$m)</b>	-\$397m	N/a	N/a
<b>Employees</b>	9,193*	4,446*	13,639
<b>Money Raised (\$m)</b>	\$2,038m	\$243m	\$2,281m
<b>No. of Capital Transactions</b>	60	26	86
<b>Average Capital Transaction</b>	\$34m	\$9.3m	\$26m

\*: Australian CleanTech estimates based on company analysis.

In addition to the Australian industry profile, a comparison is provided from international researchers including a summary report from Bloomberg New Energy Finance showing international activity and investment levels.

The international sector growth is being driven in Europe by regulatory measures and the EU Emissions Trading Scheme and in the United States by the voracious appetite of the venture capital industry, combined with Government stimulus spending. In China the massive 'green stimulus' package is being complemented with far reaching regulatory measures. Other countries, such as Korea, see a great economic opportunity to leapfrog other developed countries through securing a leading position in cleantech.

"Australia is lacking the drivers that are seen elsewhere in the world," says O'Brien. "The government stimulus is fragmented and small, the regulatory measures are providing only some assistance and the venture capital industry is under-funded."

Investment in cleantech has had a meteoric rise over the last few years, despite the slowdown caused by the financial crisis of 2008-09. The 18 months in which the capital markets were frozen also saw increasing regulatory regimes driving cleantech demand and large amounts of stimulus spending focussed at the commercialisation and deployment of cleantech.

"The confluence of these events has led to a unique situation for cleantech." Market demand is being forced up through regulation and increasing community sentiment and the stimulus spending has helped many technologies come close to being able to service the market. The private capital market will now have to play 'catch-up' and 2010 is likely to see a large increase again in investments in new technologies.

"The cleantech growth in 2010 will be significant in some of its sub-sectors whilst others will remain static. Wind, solar, water and waste will be the winners in Australia in the short term."

The report concludes with a forecast for the regulatory, technology and investment trends that will impact the cleantech industry in Australia in 2010 and identifies the Ten Cleantech Trends for 2010.

Ten Cleantech Trends for 2010	
	1. Cleantech takes over from climate change as the key communications theme for Governments and industry
Regulatory	2. Increasing 'carbon substitute' measures to be introduced to provide the incentives and behaviour changes that would otherwise be given by a meaningful price on carbon.
	3. An increasing focus on regulation to promote water competition will drive innovation and opportunities.
Technology	4. Turbine and small wind improvements will drive industry activity and changes.
	5. Commercial scale (<5MW) pV installation will start to be installed.
	6. Recycling technology growth driven by commodity prices.
Investment	7. Increasing sources of private capital from international and corporate ventures.
	8. Cleantech IPOs gaining momentum throughout 2010.
	9. Consolidation in the water and solar installation sectors will commence in 2010
	10. New business models emerging that involve energy service companies and community finance initiatives.

"The data provided in this report will enable those interested in cleantech to more fully understand the sector and its likely growth," O'Brien concluded.

#### FURTHER INFORMATION:

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## SUMMARY REPORT FINDINGS

### Listed Companies

The greatest numbers of listed companies are to be found in New South Wales and Western Australia and overall are fairly well distributed across all of the cleantech sub-sectors. The sub-sectors with the greatest representation are Waste, Geothermal, Biofuels and Energy Efficiency.

However, the market capitalisation of the listed companies tells a very different story with New South Wales and Queensland dominating because this is the location of all of the larger listed companies. Waste, Wind and Solar dominate the sector share of market capitalisation with half being created by the waste sector alone.

In line with market capitalisation, New South Wales and Queensland are responsible for the majority of cleantech revenue, hosting the five largest grossing companies. The Waste and Water sectors account for 62% of the total revenue, demonstrating the more mature nature of these sub-sectors in comparison with many of the renewable energy and efficiency sub-sectors. Companies headquartered in New South Wales employ over 50% of the total Australian listed cleantech workforce with 43% of the total working in the Waste sector.

Over \$2 billion was raised by the listed cleantech sector in the form of new capital throughout the 2009 calendar year which represents 18% of their value. There were a total of 60 capital transactions in the listed cleantech sector, with the vast majority raised through secondary raisings. The ASX specifically provided data on capital raised on its markets for analysis in this report. A number of larger transactions dominate the statistics and have skewed the charts to show dominance by New South Wales and Queensland and by the Waste sector. A full listing of all the identified capital transactions for both listed and unlisted companies is provided in Appendix 1.

### Unlisted Companies

The greatest numbers of reviewed unlisted companies are also to be found in New South Wales, with Victoria a close second place. These companies are fairly well distributed across all of the cleantech sub-sectors, with the greatest representation in Water, Energy Efficiency, Waste and Solar.

In total the companies monitored generated an estimated revenue of \$1.72 billion over the 2009 calendar year. South Australia tops the revenue figures with some of the larger private companies followed by Victoria and New South Wales. The Water, Waste and Energy Efficiency sectors account for over half of the revenue by sector, with Water and Waste again being the top two revenue generating sub-sectors.

It is estimated that the unlisted cleantech industry employs over 4400 people in Australia. South Australia, Victoria and New South Wales have largest number of employees with the sector split being led by Energy Efficiency, Water, Waste, Solar and Wind.

Over \$240 million was raised by the unlisted cleantech sector in the form of new capital throughout the 2009 calendar year over a total of 26 capital transactions, with a number of larger transactions dominating the statistics. The largest single transaction was an M&A transaction with venture capital and government grants providing the next biggest shares.