

Green Bubbles?

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For those of you who always see the glass half-empty, there is much to worry about in 'green' investments at the moment. If you look a bit deeper however, the fundamentals of cleantech investing are actually becoming even stronger.

So, first for the bad news! The CPRS is still uncertain and appears to be getting weaker by the day. The geothermal industry is progressing slowly but is still suffering the aftershocks of Geodynamics well blow-out. The solar thermal industry was perplexed by the outlined criteria for the Solar Flagships Program, which is currently being rebuilt by the Boston Consulting Group. Furthermore, many see the credibility of solar thermal to be damaged by the collapse of Solar Systems after spending a huge \$150m in development capital. The Biofuels industry collapsed in 2006 and, as indicated by the 43% loss in ACT Biofuels Index in the 12 months to 31 August, continues to decline. The plug-in electric vehicles being developed the world over will face little challenge from The Green Car Fund's support of Holden's four-cylinder 'innovation' and the hybrid Camry.

Wind farms could be seen as the only hope in the energy sub-sectors, but, with the honourable exception of Infigen Energy, little of the consequent investor benefits are held in dedicated listed vehicles.

Institutional investors in Australia, despite the great work of publications such as this, are largely unaware and uneducated on the potential and the practical risk profiles of cleantech investments. This has meant that will not provide funds and mandates to the venture industry to enable the commercialisation and growth of many of the emerging sectors. Some of the venture capital fund managers would love to be provided with more ambitious mandates, but the institutional investors are not yet ready to take that step.

The good news is that all of the above has meant that there has certainly been little irrational exuberance in the Australian cleantech market with the corollary that there was no Australian bubble to burst. The only sub-sector that showed signs overheating here was in the last group of listing geothermal companies.

But there is more good news other than there being no bubble to burst. The growth of cleantech investments is underpinned by four key and strong macro-economic drivers. Firstly, there are many tangible assets being constructed to provide core services such as power, water, waste and recycling. Secondly, the demand for these core services and for a reduced impacts on the natural environment is growing due to both population growth and increasing

wealth. Thirdly, as the world continues to use and deplete its natural resources there is increasing pressure on communities to adopt cleantech solutions to increase efficiency and decrease waste. Finally there is the recognition of climate change and consequent regulatory regimes.

There is also increasing activity on a local and global scale that will assist in the growth of Australian cleantech companies and secure returns for their investors. Azo Cleantech, run out of Sydney, is fast becoming one of the world's leading reference tools for cleantech companies and provides an opportunity to take Australian products to the world. The Adelaide and Sydney Cleantech Network's offer opportunities for companies to pitch and for all involved in the industry to network and collaborate. My company is working successfully with Australian listed cleantech companies and successfully connecting them with institutional investors in Germany to increase the diversity and strength of their share registries.

Regardless of political decisions, the future for cleantech, both here and abroad, is bright. It has multiple global drivers and government backing which makes it stand out from previous growth industries. As it grows, mainstream corporate Australia will buy in because of supply chain pressures from their customers and also from increased environmental performance reporting by groups such as Reputex.

The glass is definitely half full and the opportunities for good returns from investing in cleantech are plentiful.

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