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Australian Cleantech Review 2011: \$22 billion in revenue places industry as major economic sector

The Australian Cleantech sector is profiled to a greater extent than ever before in a report published today. 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 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, "Last year we published the first Cleantech Review of the Australian market to answer the questions of investors and governments wanting to understand the sector. This year we have expanded the coverage of companies to provide a more detailed profile. We have found that it is already a significant sector and one that is growing fast."

The definition of cleantech used in the 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 over 750 Australian cleantech companies reviewed shows trends in terms of the leading sectors of activity and which regions are most active. As a sector, the companies had combined revenue of over \$22 billion and employed over 25,000 people. They were involved in capital transaction totaling \$1.4 billion during the 2010 calendar year in 214 separate capital transactions.

New South Wales and Victoria were the most active states with the largest sectors being Water, Waste, Energy Efficiency and Solar.

The \$22 billion of revenue places the sector at about half the size of the national construction industry in terms of contribution to GDP.

	Listed	Unlisted	TOTAL
Number of Companies	86	681	767
Market Capitalisation (\$m)	\$11,896m	N/a	N/a
Revenue (\$m)	\$14,394m	\$7,777m	\$22,171m
NPAT (\$m)	-\$290.6m	N/a	N/a
Employees	11,276	14,538	25,814
Capital Transactions (\$m)	\$974.6m	\$436.6m	\$1,411m
No. of Capital Transactions	93	121	214
Average Capital Transaction (\$m)	\$10.5m	\$3.6m	\$6.6m

The results have also been analysed in comparison to the results from 2009. Overall there was a strong recovery in average company revenues (\$28.9m in 2010 compared to \$22.0m in 2009) and a significant decrease in average company capital transactions (\$1.8m in 2010 compared to \$5.4m in 2009). The latter was driven by decreased secondary capital raisings by the listed cleantech sector.

In addition to the Australian industry profile, a comparison is provided from international researchers including summary data from Bloomberg New Energy Finance showing international activity and investment levels. The 2010 total global investment in clean energy reached US\$243 billion, some US\$50 billion more than the previous annual record.

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 with its Global Green Growth Initiative, see a great economic opportunity to secure a leading position in cleantech.

"Australia is falling further behind the rest of the world," says O'Brien. "Whilst there is an immature debate on pricing carbon here, other countries are seeing the 'opportunities beyond carbon' and investing in the industries of the future." Australian governments are missing the opportunities being presented to the world and, in the long term, the country will suffer.

"Australia as a quarry with some nice beaches is not a strategy that will deliver long term prosperity."

"Despite the state of politics here, the sector in Australia is already larger than previously thought with many companies experiencing strong growth. Those companies that are connecting with the growth markets of Asia appear to be doing particularly well. The cleantech growth in 2011 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 2011.

Cleantech Trends for 2011	
Carbon Déjà Vu	The carbon debate will see a rerun of the CPRS arguments.
No Nukes	There will be no rational nuclear debate in Australia.
Scrambling Pollies	Politicians will realise how far Australia is falling behind and scramble to try and catch up.
International Benefits	Successful companies and investors will be those that form international partnerships.
Chinese Wind	Chinese wind turbine suppliers will finally enter the Australian market.
Large Solar	Solar Flagships will fail but some commercial scale solar projects will be delivered.
Asian Money	2011 will see the first of the large scale Asian investments into the cleantech sector.
Local Money	There will be a growing interest and roll-out of community financed projects.
Insurance Takes the Lead	The insurance industry will start to drive industry and government to adopt cleantech solutions.

"The data provided in this report will enable investors and government to more fully understand the opportunities that the cleantech sector presents," O'Brien concluded.

FURTHER INFORMATION:

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SUMMARY REPORT FINDINGS

Each of the categories in the table above has been analysed in terms of the sub-sectors and geography to provide a comprehensive national profile of the industry. This enables investors and policy makers to understand the extent and locations of activity to be able to assess future options.

New South Wales with 248 cleantech companies and Victoria with 190, currently dominate the distribution of cleantech companies with more than 57% of the 767 companies considered in this report. A comparison with 2010 Gross State Products (GSP) shows that Queensland and Western Australia are relatively under-represented in cleantech companies and South Australia has a greater share of the total than its GSP would suggest. The apparent reduced activity in Western Australia and Queensland may be due to the higher focus on mining in those states that inflates their GSP in areas where cleantech solutions are not yet being developed.

State or Territory	Gross State Product 2009-10		Percentage of Cleantech Companies
	A\$m	%	
NSW	401,716	31.3%	33.6%
VIC	293,313	22.8%	25.7%
QLD	254,550	19.8%	14.2%
WA	187,834	14.6%	10.6%
SA	78,558	6.1%	12.3%

In terms of the sector distribution of cleantech companies, the Water, Waste, Energy Efficiency and Solar sectors are the only ones with greater than 10% of the companies. Water has the most companies with 150 companies, followed by Efficiency with 127 companies, Solar with 91 companies and Waste with 90 companies.

Both Revenue and Employee numbers show a strong dominance by New South Wales and the Waste sector. This is primarily because the figures for companies are allocated to the state of the head office and the overall sector is dominated by a number of large waste industry companies with Sims Metal Management being the largest.

Victoria (13.7%) and Queensland (13.1%) generated the next largest amounts of revenue. Water (16.2%), Solar (5.4%), Energy Efficiency (5%) and Environmental Services (5.0%) all generated more than \$1 billion of revenue in 2010.

The distribution of capital transactions is more evenly spread than the revenue and employee figures. Whilst New South Wales still held the largest proportion at 37.3%, this was followed by South Australia with 20.0% and Western Australia with 15.9%. The sector showing the greatest transaction level was Water with \$264m

Listed cleantech companies in Australia had a combined market capitalisation of \$11.9 billion at 31 December 2010 and raised a total of \$975 million, or 8.2% of their value, by way of new capital in the 12 months to 31 December 2010. The sectors performance compared to the overall market is shown in the table below.

	Cleantech Sector (CY10)	Total ASX (CY10)	%
Number of Companies	86	2,229	3.9%
Market Capitalisation	\$11.9 billion	\$1.44 trillion	0.8%
New Equity	\$679 million	\$25 billion	2.7%

The table above shows that whilst the sector comprises just under 4% of the listed companies, it was less than 1% of the market capitalisation of the total market and raised only 2.7% of the new equity. This demonstrates that many of the listed cleantech companies are still small.