

# Funding renewable energy

\$1.3B near term renewable energy demonstration projects



**Wilson HTM**  
INVESTMENT GROUP

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## Recommendation

**Applications have recently closed for the Federal Government Renewable Energy Demonstration Program (REDP). The allocation of grants in mid-late 2009 is expected to trigger an immediate >\$1.3B investment in renewable energy demonstration plants in Australia.**

**Listed company front runners for grants, Geodynamics (GDY, Not Rated) and Carnegie Corporation (CNM, Not Rated), have both announced significant capital initiatives to improve their financial capacity, a key merit criteria for the REDP grants.**

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## Key Points

- Applications closed on 15 April 2009 for the \$435M Federal Government Renewable Energy Demonstration Program (REDP). This competitive grants program is designed to accelerate the commercialisation and deployment of new renewable energy technologies for power generation in Australia. The REDP is targeted at proposals that are relatively mature and are at the stage of commercial demonstration. Technologies eligible for the REDP are solar, geothermal, wind, biomass, hydro, ocean energy and combination technologies including energy storage where part of a project.
- The size of the grants to successful projects is expected to be in the range of \$50M to \$100M and provide up to one third of the eligible expenditure on the projects. The private sector is to provide \$2 for \$1 of government funding. Funding is available for 2008/09 and 2009/10, although longer term projects can also apply. This is a pre-existing Government program that was initially scheduled to be allocated over 6 years but was fast tracked to 18 months as part of the stimulus package.
- Listed companies that have submitted applications for funding include GDY, CNM, Petratherm (PTR, Not Rated) and Greenerth Energy (GER, Not Rated). Applications were also received from a number of unlisted companies. Grant offers to successful applicants are expected to be made mid to late 2009.
- One of the merit criteria for awarding the grants is financial capacity including the ability to match the REDP grant on the basis of at least \$2 for \$1. In order to prove financial capacity in REDP applications the front runners have undertaken significant capital initiatives.
- GDY will require at least \$180M private funding for its Cooper Basin commercial demonstration project. In March 2009 GDY issued 72.5M options expiring 8/12/09 at \$1.50. Depending on the share price performance these could provide up to \$108M of equity funding. 12.9M unlisted employee share options with various exercise dates could provide further funding out to 2012.
- CNM will require an estimated \$200M private funding for its 50MW commercial demonstration wave power project. On 14 April 2009 CNM announced a heads of agreement with Investec which upon execution of formal contracts gives Investec first right of refusal for three years to finance CNM's CETO projects that connect to the National Electricity Market. Subject to milestones and conditions being met Investec intends to provide or procure funds of up to \$250M for Carnegie's Commercial Demonstration Wave Power Project. It is intended that the project be developed in a Special Purpose Company jointly owned by CNM, Investec and other investors making financing non-dilutionary for CNM shareholders.

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### REDP application by listed co.

#### **Geodynamics (GDY)**

REDP application for \$90M for Cooper Basin geothermal commercial demonstration project

#### **Carnegie Corporation (CNM)**

REDP application for 50MW commercial demonstration wave power project at an estimated total cost of \$300M.

#### **Petratherm (PTR)**

REDP application for \$66M for 30MW geothermal commercial demonstration project (Paralana JV) with a total cost of \$200M. Joint venture partners in Paralana (through farm in) are Beach Petroleum (up to 36%) and TruEnergy (30%).

#### **Greenerth Energy (GER)**

REDP application for 10.7MW hot sedimentary aquifer geothermal demonstration project in Victoria.

## Cleantech and Renewable Energy Stocks

21 April 2009		WHTM Rating	Price (Current)	Market Cap (\$M)	Description	Base
<b>RENEWABLE ENERGY</b>						
<b>Wind</b>						
BBW	Babcock and Brown Wind Partners	HOLD	114	958	Wind power primarily in United States and Australia	Sydney
TSI	Transfield Services Infrastructure	HOLD	109	291	Wind power and conventional power in Australia	Sydney
<b>Landfill Gas</b>						
ENE	Energy Developments	NR	134	203	Landfill gas, coal mine methane, natural gas and liquefied natural gas power generation in Australia, the US, the UK and Europe.	Brisbane
VIR	Viridis	HOLD	27	50	Wind power in Germany and the United Kingdom. Landfill gas power in the United Kingdom and the United States.	Melbourne
<b>Geothermal</b>						
GDY	GeoDynamics	NR	120	346	EGS in South Australia/New South Wales	Brisbane
PAX	Panax Geothermal	NR	16	28	Sedimentary in South Australia/India/Kyrgyzstan	Brisbane
PTR	Petratherm	NR	33	19	EGS/Sedimentary in South Australia/Spain	Adelaide
GHT	Geothermal Resources	NR	43	14	EGS in South Australia	Adelaide
TEY	Torrens Energy	NR	29	13	EGS in South Australia	Perth
GER	Greenearth Energy	NR	17	8	Sedimentary in Victoria	Melbourne
GRK	Green Rock Energy	NR	5	9	EGS in South Australia/Hungary	Perth
KEN	KUTh Energy	NR	14	4	EGS in Tasmania	Hobart
HRL	Hot Rock	NR	9	3	Sedimentary in Victoria	Brisbane
<b>Solar</b>						
DYE	Dyesol	NR	102	122	Dye solar cell	Canberra
EVM	EnviroMission	NR	5	15	Licence for solar tower technology within in Australia and majority control of global rights	Melbourne
SOO	Solco	NR	5	11	Solar energy systems	Perth
<b>Clean Coal Technology</b>						
WEC	White Energy Company	NR	160	246	Removes moisture from lower grade coals to improve heat content and quality.	Sydney
<b>Biofuels</b>						
MBT	Mission Newenergy	NR	25	24	Production of biodiesel from crude palm oil in Malaysia	Perth
<b>Other - wave, fuel cells</b>						
CNM	Carnegie Corporation	NR	25	114	CETO wave energy technology	Perth
CFU*	Ceramic Fuel Cells	NR	7	70	Solid oxide fuel cells to provide to provide electricity from natural gas and renewable energy.	Melbourne
CBD	CBD Energy	NR	3	7	Renewable remote area power developer. Pharmac (installs air-conditioning) and Captech (energy savings solutions). Undertakes R&D.	Sydney
<b>ENERGY EFFICIENCY</b>						
QTM	Quantum Energy	NR	14	137	Heat pump technology to replace hot water heaters, qualifies for Renewable Energy Certificates	Sydney
BLG	Bluglass	NR	23	37	New technology for semiconductor material gallium nitride. Potential to improve production efficiencies and costs for electronic devices.	NSW
PPY	Papryus	NR	58	42	Technology enabling the conversion of banana plant fibre into raw paper.	SA
ANQ	AnaeCo	NR	30	34	DiCOM solid waste processing facilities.	Perth
JGL	Jackgreen	NR	13	29	Renewable energy retailer. 50,000 customers in Feb 08. Easy Being Green installs energy efficient light globes and solar hot water systems.	Sydney
EGL	The Environmental Group	NR	5	12	Clean air and water solutions	Sydney
PPG	Pro Pac Packaging	NR	16	19	Biodegradable packaging	Sydney
<b>CARBON MARKET</b>						
COZ	CO2 Group	NR	17	47	Carbon sinks by new plantations. Offset agreements with Newmount, Woodside.	Sydney
CCF	Carbon Concious	NR	12	2	Carbon sinks by new plantations	Perth

\* Share issue pending

Source: Wilson HTM, IRESS

NR: Not Rated

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period



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