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CRITERION with TIM BOREHAM

Renewable energy stocks

WE are willing to bet the renewable energy sector will remain in vogue, no matter whether the Senate again kyboshes the carbon abatement laws or if December's climate change summit in Copenhagen generates no more than hot air.

That doesn't mean investors should buy them willy-nilly: there will be more commercial failures than successes. But with the feds poised to carve up \$300 million of renewable energy grants, it's time to take notice of the more advanced plays.

In all, 36 companies have applied for a slice of the dough, available under the Renewable Energy Development Program (REDP). While a ministerial spokesbroke knows nothing, at least one applicant, hot-rock play Petratherm (PTR, 38c), says a decision is "imminent".

According to the departmental guff, individual grants are likely to be between \$50m and \$100m.

Lest we assume Canberra is frittering away our taxes on no-strings-attached gifts, there are some onerous conditions that would preclude the poorly funded and less advanced.

According to the guidelines, the project has to be "relatively mature and at the stage of commercial demonstration" and has to be bankable. The applicant must be willing to chip in funding on a two for one basis.

Solar power was originally included in a \$435m scheme, but was shunted into a wider federal program (REDP is but one of a dazzling array of state and federal programs).

It's likely the government won't bet it all on one technology but will spread it across geothermal, wind, biomass and wave energy applicants.

While we stress we don't have

the inside word, *Criterion* likes the chances of Petratherm and Geodynamics (GDY, 92c), which are the most advanced of the dozen or so listed hot-rock plays.

Geodynamics boasts the Innamincka joint venture (with Origin Energy) in Queensland, where it proposes to build a \$275m, 50 megawatt demo plant.

Geodynamics has had trouble with unwanted gases in its well holes and drilling has slowed. In an update this week, the company confirmed its objective of getting to investment decision stage within 18-24 months.

Petratherm's main project is Paralana in the Flinders Ranges, which is near the Beverley uranium mine, the most likely customer. The project boasts two sugar daddies: TRUenergy and Beach Petroleum.

Petratherm is also poking around Tenerife in the Canary Islands in pursuit of a conventional volcanic project to provide power to a population which surges to 1.5 million in the peak season.

Another interesting applicant is Carnegie Wave (CWE, 25c), which has already pocketed a \$12.5m WA grant to develop a 5 megawatt facility off Garden Island (the most likely customer is the HMAS Stirling naval base).

Carnegie's patented CETO technology involves the use of seabed pumps, which is at least a more aesthetic alternative to visible turbines.

Criterion rates Petratherm and Carnegie as **speculative buys** and Geodynamics a **hold**. We've considered the latter to be overvalued in the past (and Innamincka is a long way from the nearest power grid). But the stock has retreated from a high of \$2 and is worth a punt, especially if it pockets a slice of the REDP spoils.