



Big boost for green stocks

Stimulus will be windfall for clean technology companies, but take a long-term view

MARK STORY

Some listed clean technology stocks at the riskier end of the investment spectrum stand to receive a major boost to their share price and future growth horizons, courtesy of the Rudd Government's "green-stimulus" initiatives.

These initiatives are part of the Government plans to earmark 9 per cent of its \$42 billion fiscal stimulus package to climate change investments over the next decade.

"Clean tech" companies that receive large-scale funding under these programs will be given a once-in-a-lifetime opportunity to fast-track technologies that may never otherwise reach commercialisation.

But while stocks receiving funding may enjoy a share price spike, Jamie Taylor of Wilson HTM reminds investors that clean-tech stocks are "bottom-drawer" growth plays with long-term investment horizons.

Here's a look at some of these green initiatives and the stocks that might benefit.

20 by 20:

The Government's plans to mandate energy retailers to source up to 20 per cent of their energy from renewable energy by 2020 present significant opportunities for many clean-tech stocks.

Australian CleanTech director John O'Brien expects wind stocks to receive the lion's share, if not all this allocation, over the short-term, given that wind technology is significantly further along the commercialisation-curve than other renewable energy technologies like wave, solar or geothermal.

"While wind technology requires 'big licks' of funding to establish, and typically doesn't receive government grants, Renewable Energy Certificates or RECs (an electronic form of currency) will help them become more economically viable," Mr O'Brien said.

In an attempt to meet the Government's 20 per cent target, Mr O'Brien estimates that a projected \$40 billion invested in wind-farm technology will produce around 20 gigawatts

(20,000MW) of combined wind power over the next 20 years.

As the only "pure-play" listed wind stock, he expects Infigen Energy (IFN), which already owns 41 wind farms in the Asia-Pacific, Europe and North America, to benefit the most.

Renewed confidence in Infigen since its separation from debt-laden parent Babcock & Brown and subsequent name change has already seen the company's share price jump this year. "Infigen is a good short-term bet because it's been hammered so hard under the Babcock & Brown moniker and has lots of upside," Mr O'Brien said.

Having acquired wind-farm assets as an internal hedge against future mandated (wind power) consumption, Mr O'Brien also expects integrated energy companies Transfield Services (TSE) and AGL Energy (AGK) to benefit from these renewable energy targets.

And despite losing its way in recent times, he also suggests investors keep a close eye on Viridis Clean Energy Group (VIR), an ASX-listed clean-energy fund which holds sizeable wind farms in the UK and Germany.

Renewable energy push

The Government plans to catapult the commercialisation of promising technologies in renewable energy through its \$300 million Renewable Energy Demonstration Program (REDP). Stocks fortunate enough to receive grants worth \$50 million to \$100 million each are expected to be notified in August. Given that large-scale solar has its own grant scheme, Jo Hume, an investment analyst with CVC, expects most of the government funding (under REDP) to be divided between large-scale projects in the geothermal, wave, tidal and biopower technologies.

Listed geothermal stocks that Mr Hume claims are more likely to receive funding under REDP include inside runners Geodynamics (GDY), Petratherm (PTR), Panax Geothermal (PAX), Kuth (KEN) and Torrens Energy (TEY).

Having been around the longest,

with good test results, Geodynamics has applied for \$90 million in funding, while Petratherm (PTR) together with its joint venture partners Beach Petroleum and TRUenergy Geothermal has applied for a third of the \$200 million needed for a commercial demonstration project at its flagship Paralana project site.

Meantime, Mr O'Brien expects WA-based Carnegie Corporation (CNM), the only ASX-listed stock in the wave technology sector, to be a front-runner for REDP funding. Recent revelations that financial services group Investec plans to fund its Commercial Demonstration Wave Power project using its CETO technology renewed its share price fortunes earlier this year.

Geothermal companies aside, other clean-tech stocks favoured by Mr Taylor include former CSIRO start-up Ceramic Fuel Cells (CFU) and greenhouse abatement company CO2 Group (COZ).

Large-scale solar power

The Government plans to divide \$1.5 billion between four solar power companies to build large-scale plants using solar thermal or solar photovoltaic technologies. Unlisted companies more specifically aligned to this technology, like Solar Systems and Austra Australia, appear to have pole position.

But Mr O'Brien expects stocks also operating in this space like Worley Parsons (WOR), Origin Energy (ORG) and AGL Energy (AGK) to have a crack at this funding.

The \$4 billion Energy Efficient Homes Package

Plans to insulate up to 2.9 million Australian homes (with batts) and help more than 300,000 households install solar hot water systems makes companies like CSR (CSR) and Fletcher Building (FBU) obvious beneficiaries. It's early days, but CSR is already witnessing a definite increase in inquiries and sales for insulation business.

Clean coal subsidy:

The Government plans to spend \$2 billion building up to four industrial-



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sized, coal-fired power plants that use cleaner technology.

According to Mr O'Brien, this money is most likely to go to current operators of coal-fired power stations, including listed stocks like AGL Energy (AGK) and Transfield Services (TSE) in conjunction with international joint venture partners.



Air power: It is estimated that \$40 billion could be invested in wind-farm technology over the next 20 years