

RENEWABLE ENERGY

Alternative power sources beginning to generate headlines



MARKET INSIGHT

When the renewable energy industry hands out its annual awards in London tonight, the winners will find the spotlight that bit brighter.

Renewable sources of energy are very much in fashion, thanks to sky-high oil prices and soaring petrol costs. The aftermath of Hurricane Katrina has focused minds on the extent of global reliance on fossil fuels, generating interest from both the public and investors in the renewable sector.

"Wind and solar power are the fastest-growing energy sources in the world, with exceptional growth and rapid technology change," says Stephen Pope, head of equity research at Cantor Fitzgerald Europe.

"In 2005, renewable resources provide a small share of global energy production. However, slowly the advantages of shifting energy dependence away from fossil fuels toward greater use of renewables are being recognised."

That has been reflected by the industry's growing stock market presence. The good news for investors is that the sector has performed extremely well.

Last week, Germany's EOP Biodiesel debuted on the Frankfurt market. The shares were priced at €7.60, at the top end of the indicated range, and have since soared to €12.82.

Meanwhile, three makers of

solar power equipment - Sunline, Q-Cells and Ersol - are hoping to float on the German market this autumn, encouraged by the successful listings of rivals Conergy and Solarworld.

Conergy's shares have climbed 30 per cent since its debut in March. Solarworld's price has risen 20-fold since late 2003.

Renewable energy companies have thrived in Germany under legislation that guarantees above-market prices for solar and wind power.

Spain is also seen as a growth market. With the government committed to capping carbon emissions, tax incentives and tariff premiums on clean power generation have fuelled a boom in wind farms.

Iberdrola, of Spain, up 20 per cent this year, is now the world's largest windfarm owner. Acciona, which derives 40 per cent of its earnings from the energy sector, is also a major player. It is up 47 per cent this year and is on the lookout for foreign acquisitions and joint ventures in renewable energy.

Ernst & Young ranks Spain as one of the most attractive environments for investment in renewable energy technologies. "A clear and stable regulatory environment, backed up with ambitious targets from the government, has given investors confidence," says Jonathan Johns, of Ernst & Young.

The UK is also ranked highly. AIM-listed Biofuels Corporation, which is in the advanced stages of completing one of Europe's largest biodiesel manufacturing plants, has seen its shares jump more than 15 per cent since July. The receptiveness of London's AIM to renewable share offers has attracted an increasing number of companies

from outside the UK. Analysts say many fledgling renewable energy companies - ones with potential but not without risk - suit the exchange.

Ocean Power Technology, of the US, the world's only listed wave power company, floated on AIM in October 2003. "Eighteen months ago, AIM was the only market in the world that knew anything about the sector," the company said. It added that the UK government's Renewables Obligation, which commits energy producers to 10 per cent reliance on renewable technology by 2010, sparked a huge amount of interest from UK investors in the sector.

More recently, Australia's Novera Energy and US biofuels manufacturer Renova listed on the exchange. And with another 10 to 15 companies rumoured to be lining up to jump on the AIM bandwagon, investors should soon have an even bigger choice when it comes to exposure on the sector.

Bigger companies are starting to offer such exposure. French oil major Total said recently it would spend €500m on renewable energy to diversify energy supplies and to meet demand while fighting climate change. US industrial giant GE, whose subsidiary GE Wind is the world's second biggest wind turbine maker, has announced it will double its investment in environmental technology.

Such initiatives appear timely, given increasing evidence of growing demand for renewable energy stocks from institutional investors such as pension funds.

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