

Opportunities for Indian/Chinese companies

China/India relatively poor in hydrocarbons but very rich in renewable energy potential. Will have to be part of the mix for these markets to meet their energy needs.

China simply cannot afford to follow the development path taken by Europe and US over the past 100 years.

Chinese renewable energy development has grown at an annual average of 25% in recent years, according to the Worldwatch Institute. China passed a renewable energy law at the start of this year, which raises money for investment in renewables from the sale of electricity. Beijing has committed to quadruple the amount of energy it uses from renewable sources by 2010, albeit only from 1% to 4%. (Figure for UK – 20% by 2020).

China's 11th five year plan issued earlier this year committed to reducing pollution and improving energy efficiency.

“Companies across China – whether state-owned or private, domestic or foreign-funded – are eager to embrace renewable energy projects. Many believe the sector will soon be a gold mine.” Worldwatch Institute

Kyoto doesn't apply, but that doesn't mean China/India can't participate. Climate Change Capital – a UK investment bank – signed a deal to cut carbon emissions from a Chinese chemicals factory by 29.5m tonnes over six years, the equivalent of more than 1/3 of the annual greenhouse gas emissions of UK households. Potential value of €258m.

Alternative energy markets are large and growing rapidly. In 2005, the alternative energy market was estimated at €30bn, with very high growth rates. Since 2000, the market for wind turbines has been growing at 20%, and solar panels at 30%.

Climate change and the City of London

- Institutional Investors Group on Climate Change - €700bn aggregate assets
- Investor Network on Climate Risk - \$3 trillion
- The Carbon Disclosure Project, a coalition of institutional investors that asks companies to disclose how they manage climate change risk, is backed by funds of \$30 trillion.

Pension funds, fund managers, banks, insurance companies, private equity, venture capital – all are developing expertise and raising funds in this area. In 2005, private equity invested some \$7bn in clean energy and that figure is set to increase in 2006.

Worldwide, some \$50bn was invested in clean energy in 2005, and according to one estimate, China was the single largest market, investing \$6bn in clean energy (not including large hydropower projects).

In the first half of 2006, €12bn of carbon was traded globally.

A further point to note is that London is the global capital of climate change investment. The combination of progressive policy, large capital markets and its long history as a global centre of risk management (Lloyd's) makes London the most important market for climate change investment, capital raising and trading.

Mainstream banks now providing finance to companies with ideas for combating climate change – Nomura recently made senior hires to take these ideas to Asia. Merrill Lynch launched a New Energy Fund in 2001, which today has a value of \$2.6bn.

GE, the US industrial giant has promised to double its investment in environmental technologies to \$1.5bn by 2010; Goldman Sachs is currently ploughing more than \$1bn into clean technologies.

China's Suntech Power Holdings, a solar cell maker, raised nearly \$400m in a NY IPO in December 2005, and have gained 72% since then.

London's AIM – 46 pure play 'new energy' companies with a combined market cap of £2.9bn.

A total of 81 climate change-related companies on Aim.