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Australasian Cleantech Review 2014: Cleantech Enters 'Stealth Mode' as Asia Drives Investment & Trade

Key Highlights

- Sector comprises nearly 1,500 companies producing over 2% of GDP.
- Employees over 58,000 people who are five times as productive as manufacturing.
- The 'cleantech' term is politically out of favour but the fundamentals of improving Australian industry efficiency and driving jobs, investment and trade are stronger than ever.
- Asia sees cleantech as a very high priority and this presents a huge opportunity for Australian companies.

The Australasian Cleantech sector is profiled to a greater extent than ever before in a report to be launched this week at events in Brisbane and Perth. The report is published by Australian CleanTech, a research and advisory firm that works for cleantech companies, investors and governments to deliver growth in the sector.

"This is the fifth version of Australasian Cleantech Review and it has been used extensively by investors and governments wanting to understand the sector," said John O'Brien, Managing Director of Australian CleanTech. "This year we have found that whilst the term 'cleantech' has fallen out of favour politically in Australia, both Australian industry and the big Asian markets see it as one of their highest priorities. This presents a huge opportunity for Australian companies and, at the same time, will present significant challenges for our politicians."

Cleantech is defined as products and services that have both **'economic and environmental benefits'**. The sub-sectors of cleantech include renewable energy, water, waste and recycling, construction materials, energy efficiency, carbon trading and environmental services.

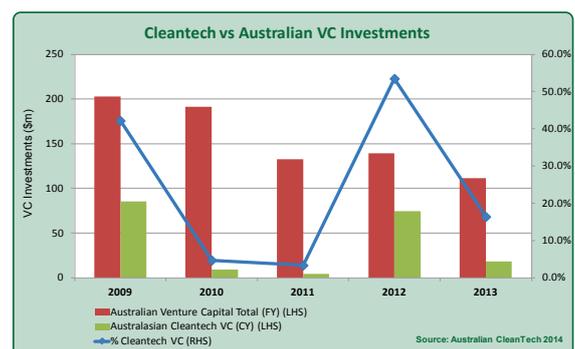
Sector Overview - The analysis of nearly 1,500 Australasian cleantech companies reviewed shows the leading sectors of activity and which regions are most active. As a sector, the companies had combined revenue of \$32.5 billion and employed 58,000 people.

The revenue figure pushes the sector to above **2% of GDP** for the first time. The employee numbers exceed the declining automotive manufacturing sector and cleantech employees are found to be five times more productive than general manufacturing. The companies were involved in capital transactions totaling \$4.3 billion during the 2013 calendar year in 120 separate transactions.

| | TOTAL | Average |
|-----------------------------|-----------|---------|
| Number of Companies | 1447 | - |
| Revenue (\$m) | \$32.5 bn | \$22.5m |
| Employees | 58,396 | 40 |
| Capital Transactions (\$m) | \$4.3 bn | \$35.7m |
| No. of Capital Transactions | 120 | - |

New South Wales and Victoria were the most active states with Waste, Water, Hydro, Environmental Services, Solar and Wind sub-sectors all generated more than \$1 billion of revenue over 2013.

Venture Capital - A key issue for funding of cleantech is the lack of available venture capital in Australia. An analysis has been undertaken plotting the total VC spend against the cleantech VC spend. When averaged over the last five years, a quarter (24.7%) of total VC investment was spent on cleantech companies, with the **2013 figure of \$18.3m representing 16.4%**.



Asia's Highest Priority - Analysis of comparative policy initiatives show that Australia is lagging its Asian peers in terms of cleantech industry development. The three nations that have been targeted with free trade agreements, Korea, Japan and China, the focus on cleantech is becoming one of the highest priorities.

- In **China**, the extent of air, water and ground pollution is so extreme that the Government has declared a '*war on environment*' with the highest emphasis being placed on finding and deploying cleantech solutions.
- In **Korea**, there is a strong focus on accessing strong cleantech solutions to take them to the world through Korea's global supply chains.
- In **Japan**, the energy transition underway has led to a massive demand for current and emerging solutions for the home market.

"We work extensively in China and Korea facilitating bilateral technology and investment transfers and the difference in the growth in those markets compared to Australia is huge. We have some great technologies and expertise and we have the opportunity to take these to the world."

Industry Forecasts - The report concludes with a forecast for the regulatory, technology and investment trends that will impact the cleantech industry in Australia in 2014.

| Ten Cleantech Trends for 2014 | |
|---|--|
| International Embarrassment | The climate politics at home will lead to some embarrassing international discussions. Examples to date include Lord Deben's recent comment on current climate policy as ' <i>So unintellectual to as to be unacceptable</i> ' |
| Cleantech Enters Stealth Mode | Cleantech is seen as a 'bad' word in some countries and its use will decline. However, the cleantech theme, under an alias, will be backed heavily to drive jobs, investment and trade . |
| Free Trade Drivers | The demand for cleantech in Asia is reaching new highs. In particular, Korea, Japan and China see cleantech as one of their highest priorities. |
| RET Review Protests | The RET Review will persuade international investors to look elsewhere and will cause a politically damaging community backlash. |
| Mainstream Finance Products | As more cleantech products become mainstream, the high street banks will offer more financial products that increase the depth and technology breadth of finance. |
| Increasing Focus on Climate Liabilities | 2014 will see ongoing campaigns across all fossil fuel investments and a growing awareness in mainstream institutional investors about climate risk and liabilities. |
| Environmental Refugees Flee | 2014 will see two types of Environmental Refugees: Rich families fleeing from heavily polluted developing countries; and environmental finance professionals leaving Australia. |
| Green Building Retrofits | 2014 will see acceleration in the deployment of retrofit products to improve the environmental performance and operating costs of existing commercial buildings. |
| Accelerating EVs | The loss of local car manufacturing will drive governments to back the roll out of Electric Vehicle (EV) fleets and recharging stations. |
| Storage Roll Out Challenges Utility Denial | The fast falling costs of solar and energy storage will see a tangible challenge to distribution network business models. |

"Australia is falling further behind the rest of the world," says O'Brien. "The opportunities to both increase the efficiency of our existing industries and build a significant export market through building the cleantech sector are massive."

FURTHER INFORMATION AND REVIEW COPY:

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The report will be launched at the [Brisbane CleanTech Network](#) on 18th March and the [Perth CleanTech Network](#) on 19th March. The report is supported by the ASX, Bloomberg New Energy Finance and the international Cleantech Investor magazine.