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Catching a wave of new energy stocks

Doing our bit

GOD morgen! That's *Criterion's* only grasp of Danish so he opted not to join Kevin Rudd and the world's lesser statesmen at the Copenhagen gabfest. Still, we can do our bit for the planet (and our wallets) by mustering the forces of capitalism at home.

Investors are already spoiled for choice on carbon-friendly plays. Despite that, says Carnegie Wave's Michael Ottaviano, the true clean-energy sector accounts for only about 0.5 per cent of the local market's capitalisation.

Carnegie (CWE, 12.5c) is a pertinent example of the disconnect between the local market's caution (and, perhaps ignorance) of the sector and the more gung-ho valuations ascribed in Europe.

"The market here is still grappling with what all of this means," Ottaviano says. One misconception is that the failure (to date) of the emissions trading legislation spells the end of renewable-energy incentives, but a 20 per cent renewables target is already l-a-w law.

Having secured a crucial government lease permit this week (and a jack-up rig from the North-West Shelf), Carnegie is about to build a 5 megawatt demonstration plant off Garden Island, aimed at proving the viability of its patented CETO wave technology.

CETO deploys sub-surface buoys to harness the waves, with the pressurised water used either

for onshore generation or desalination.

Existing facilities, popular in Scotland for example, directly generate from offshore plants.

Despite expectations, Carnegie's virtues didn't convince the feds to assign the company a grant from the big-ticket Renewable Energy Development Program. Carnegie shares were poleaxed as a result.

CEO Ottaviano says the sell-off was unjustified: such grants might have an impressive headline value but the cash comes in dribs and drabs and depends on the company putting up two or three times more dough.

In any event, Carnegie has procured a \$12.5 million West Australian government grant to co-fund the \$50m project.

Solar and wind are not suitable for baseload power, but that hasn't stopped these energy forms from becoming as familiar to the Europeans as bidets and smelly cheese. For investors unwilling to punt on the one project, Gerry McGowan's **CBD Energy (CBD, 14.5c)** offers a diversified portfolio of solar/wind ventures.

CBD generates wind and solar power on King Island in cahoots with Hydro Tasmania; and is building a wind farm on the Chatham Islands with the backing of a 20-year offtake agreement. CBD is also involved in a large NSW wind project with GE Energy and dabbles in storage technology. CBD's latest foray is the \$13m acquisition of profitable

renewable-energy engineer eco-Kinetics, which has \$40m of annual revenues. To prove its worth, eco-Kinetics yesterday won a \$20m tender to supply solar equipment to the sun-kissed fruit town of Shepparton.

Another way of reducing atmospheric carbon is to prevent rainforests being cut down in the first place, which is where minnow **m2m Corporation (MCL, 0.4c)** hopes to play.

The m2m story is as tangled as a virgin jungle. The stock was to have been the vehicle for a back-door listing of Carbon Planet, which deals in rainforest protection credits.

That deal is off the agenda, at least on the terms proposed. But m2m has entered the sector in its own right, through a project financing deal to protect PNG rainforest.

So far, the mechanics of rainforest protection is even less advanced than carbon trading, but several voluntary schemes exist. In the microcap version of a Wesfarmers-style conglomerate, m2m also has a Vietnamese telephony reselling arm and a video-card arm called Bluefish.

Then there's the notion of growing (rather than saving) trees to create carbon sinks on behalf of polluting companies, the domain of **CO2 (COZ, 25c)** and **Carbon Conscious (CCF, 30c)**.

Carbon Conscious contracts with BP and Origin Energy to grow Mallee eucalypts on degraded WA farmland in return

for management fees.

CO2 plants trees for Woodside, which needed to demonstrate arborial action for its Pluto LNG project to pass environmental muster.

Criterion recently had Carnegie, Carbon Conscious and CBD Energy as **speculative buys**, at 15c, 44c and 17c respectively. We had CO2 as a **hold** at 22c and m2m as an avoid at 0.6c (at the time of the Carbon Planet merger announcement in July).

Our stance hasn't changed, but in keeping with the fuzzy messages from Copenhagen, we'll upgrade m2m to a **spec buy**.
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