

Canadian investors set to profit from green

Market opportunities for “clean” technologies



“green technologies can yield a stream of benefits for both the individual investor and the economy.”

Michael Raimondo
SENIOR FINANCIAL
ADVISOR
BRANCH MANAGER
BERKSHIRE
SECURITIES INC.

Nearly a year ago, on the summer solstice, the National Round Table on the Environment and the Economy (NRTEE) announced that Canada’s greenhouse gases could be cut by 60 percent by 2050 without any damage to the Canadian economy.

A maelstrom of controversy has followed, with outcries from all sides. But I believe one promising point has been largely ignored: The potential benefits for investors are immense.

Let’s ignore the timetable that’s being so hotly debated. Whether we’re looking toward 2010 or 2050, accelerated R&D, marketing, and implementation of green technologies can yield a stream of benefits for both the individual investor and the economy. As NRTEE analyst Alex Wood commented, if “things are done intelligently, there is likely to be some substantial market opportunities.”

For one thing, it isn’t necessary to start from square one in inventing new alternative power sources or green technologies (also known as “clean” technologies). Solar and wind power, as well as biofuels, have been well-established for years in Europe, and they’re steadily gaining a stronger foothold in the U.S. as progressive individuals drive a nationwide demand.

And U.S. investors have been quick to catch the trend. As Jonathan Shieber reported in the 10/25/06 issue of *Venturewire Professional*, Michigan-based Cleantech Venture Network, LLC, reported clean technology investments topping \$933 million in the third quarter of 2006 alone – this more than doubling reported investments in the third quarter of 2005. Of that total, new energy generation and storage technologies won \$837 million, with \$512 million of that directed toward biofuel.

Look at the annual figures and it’s clear that this is a growth industry overall: Shieber further noted that “Year-to-date Cleantech investments totalled \$2.29 billion, double the \$1.1 billion invested in the first three-quarters of 2005. In fact, Cleantech investing has already topped the 2005 total of \$1.6 billion.”

As Mark Heesen, president of the National Venture Capitalism Association, pointed out to reporter Timothy Burn in *Washington SmartCEO’s* April 2007 Green Issue, “The spike has to do with oil prices, yes, but also the emergence of India and China as major consumers of...a very finite resource. This is not a trend; it is a sea change in

global consumption patterns. That means there is a greater need today to find alternative sources of energy. Add to that the issue of global warming and there emerges a greater need to find energy in the clean space.”

But what about the returns on those investments – the key question for any venture capitalist? A glance at the Cleantech Index US (CTIUS) – the first-ever index dedicated to clean technologies – shows a bumpy upward climb since August 2006. The index monitors 45 publicly traded companies currently generating significant revenues from clean technologies.

That said, green entrepreneurs are careful to point out that their companies tend to work on a longer-range, rather than quarterly, timeline. As CEO Miranda Maganini of Ice Stone said to reporter David Worrell of *Entrepreneur.com*, “Is it really sustainable to run a business based on this quarter’s results? That’s the Wall Street model. We think that more patient capital is a better strategy.”

What’s next for clean technology companies? Look for IPOs and buyouts, says *Washington SmartCEO*. As small green companies grow, they will gain the interest of a global marketplace. Particularly for small companies ill-equipped for stringent U.S. reporting requirements, overseas markets such as the London Stock Exchange offer a chance to grow and prepare for a U.S.-based IPO.

So...should Canadian investors jump onto the clean technology bandwagon? I believe the answer was eloquently given in the findings of the Developing Sustainable Energy Policy workshop, held last October at the Richard Ivey School of Business, University of Western Ontario:

“By taking action now, Canada can create enormous opportunities through technology development and commercialization that will drive future exports, economic growth, and job creation. On the other hand, should Canada waver, we risk falling behind our major competitors, with potentially negative consequences for our competitiveness in the global economy.” **BN**

Michael Raimondo and his team, Vince Salvatori, Kim Gordon and Donna Soltes, are located in St. Catharines. To schedule an appointment please call 905-704-0300 or 905-704-6655. Mike_Raimondos_Office@berkshire.ca. The opinions expressed are those of the author and may not necessarily reflect those of Berkshire Securities Inc.