



Trading on the future

The green boom looks to be here to stay, which means great opportunities for consultancies and small, innovative companies in the sustainability sector

In a few short years, global carbon trading has gone from absolute zero to a €40bn market that last year grew by 80 per cent. The market, created to put a price on carbon emissions and thus encourage people to emit less, is one example of the “sustainability industry” that has sprung up since the 1992 Earth Summit in Rio highlighted the dangers of climate change.

Likewise, investment in clean energy has boomed in recent years, reaching almost \$150bn last year, up from \$33bn in 2004, according to analysts New Energy Finance. This money is flowing into everything from the relatively mainstream wind industry to companies that want to “seed” the oceans with iron filings, to stimulate plankton growth as a way of capturing carbon from the atmosphere.

This clean technology boom is being driven by high oil prices, a massive increase in regulation and an increasing demand for sustainable solutions from consumers. These factors have, in turn, led investors to realise there's a lot of money to be made in this field.

Many of the companies involved are early-stage businesses, where profits are elusive and the sector incredibly volatile. The NEX index of clean energy stocks fell by 17.9 per cent in the first quarter of 2008 after rising 57.9 per cent in 2007. It is not surprising when there's not even an agreement on how useful some of the fundamental technologies are. In 2006, US President Bush hailed biofuels as the answer to “America's addiction to oil” and there was a surge in investment. This year,

biofuels are being blamed for food shortages and massive price rises and companies are going bust.

One technological breakthrough that is likely to benefit from the availability of funds is thin-film solar power. Companies such as Cardiff-based G24 Innovations are making products that can produce solar energy without silicon, which is fragile, expensive and currently in extremely short supply.

“This clean technology boom is being driven by high oil prices, a massive increase in regulation and an increasing demand for sustainable solutions from consumers”

Thin-film products can be “printed” in a process not dissimilar to producing newspapers, making solar power far more affordable than it is now.

Meanwhile another UK group, Zenergy, is developing products using high temperature superconducting wire, which can improve the efficiency of everything from industrial heating to offshore wind turbines.

Investors are not just putting money into renewable energy, water and waste technologies – one of the top holdings in Jupiter Asset Management's Ecology Fund, which celebrates its 20th anniversary this year, is Cranwick, a sausage producer that is thriving on the growing demand for organic food.

Environmental consultancies

One business type enjoying increasing demand is the environmental consultancy.

The rapid pace of technological innovation, the ever-increasing amount of regulation, and the need of a far wider range of companies to understand sustainability, have ensured strong growth for the sector. “Previously, we carried out specific services for clients, such as audits or cleaning up sites,” says Tom Woollard, principle partner at Environmental Resource Management (ERM). “Now we have international clients that need a strategy that covers everything from their suppliers, through their own operations to their customers.” Sustainability

has to cover all a business's activities now because “our clients are increasingly competing on the environmental credentials of their products.”

While consultancies traditionally worked with sectors that had a large environmental footprint – such as oil and gas, mining and the chemical industry – they are now involved with sectors that are far more “customer-facing” and brand aware such as retailers, financial groups and utilities, says Mr Woollard. “The current interest in the environment is all-pervasive – the climate change agenda has made companies look at everything they do,” he adds. And while it often starts from a need

to mitigate against the effects of global warming, more and more companies are now looking at how they can make money out of climate change. At the same time, customers and pressure groups are becoming more informed and more critical of companies perceived to be guilty of “greenwash”.

Sustainability's move to being an essential part of doing business, rather than an optional extra, has provided a boost for everyone from consultants to technology providers in the sector. And unlike previous green booms, which tended to fade away after a few years, this one looks like it is here to stay.

