



Media release

Hong Kong/Basel, 29 September 2009

2010: The year of a green recovery? Sarasin sees global stimulus packages and Copenhagen creating a critical turning point

The Copenhagen Climate Protocol has huge potential for sustainable investors, according to Bank Sarasin Sustainability Research. With the Kyoto Protocol's legally binding commitments ending in 2012, the climate conference in Copenhagen this December could be a critical turning point, not just for the climate but for investors.

Speaking in Hong Kong on the occasion of a media presentation, Andreas Knoerzer, Head of Sustainable Investment at Bank Sarasin, noted that sustainable investors are well positioned to benefit from global government stimulus spending on infrastructure, which has a strong bias towards energy, water and transport. Some 16% (USD 512 billion) of the USD 3.1 trillion in government spending has been allocated to investment in technologies targeting climate change in advance of the December Copenhagen summit on the environment. With think tanks in China calling for a national carbon tax by 2013 following last week's United Nations summit, green technologies are expected to benefit further from strong political support and high expectations as the Copenhagen Climate Protocol targets creating a low carbon economy.

The Copenhagen Climate Protocol may drive sustainable investment

"A deal reached in Copenhagen would make sustainability itself more sustainable, driving further investments in green technologies. It would effectively offer a powerful global stimulus package, unleashing a wave of innovation and investment in sustainability," said Andreas Knoerzer, Head of Bank Sarasin's Sustainable Investment team.

While China, the US and India were not party to the Kyoto Protocol, there is hope that the US and China will sign a deal struck in Copenhagen. Regardless, China and the US – the world's largest polluters – have dedicated more of their respective stimulus packages to green spending than any other economic powers.

China's and the US's stimulus packages lead green spending

The largest environmentally targeted spending has been announced by China (USD 218 billion), followed by the US (USD 118 billion). Combined, the stimulus packages target railways (25% of total spending), electricity grids (18%), water (16%), building efficiency (16%), low carbon technologies (13%), renewable energies (8%), and low carbon cars (4%).

In China some 80% of environmental investing will be spent on infrastructure, including railways and power grids. Another 15% will be spent on water and waste management. With this commitment, China has the opportunity to leapfrog other economies in terms of sustainable technologies.

Supporting its aim to reduce energy consumption per unit of GDP (2005 levels) by 20% in 2010, China is already the world leader in the field of solar collectors, with more than 65% of global installations made in China. China is also the largest producer of solar cells and modules, with 90% exported. The domestic market is expected to benefit with the PRC government offering 50% fee subsidies for solar power projects under the "Golden Sun" programme. Some 500 megawatts



of photovoltaic capacity is expected to be installed by 2011. Further development will be driven by China's aim to have renewable energy account for 10% of energy production in 2010 and 15% by 2020.

In China, companies that will benefit include solar companies Suntech and Yingli.

In the US, the stimulus package is being used to expand the "green economy", and create "green" jobs. Of the USD 118 billion dedicated to "green" technologies, 5% is expected to be spent this year, with another 35% to 2012. Tax relief and credit grants are expected to create 5 million jobs over the next decade, with the US aiming to become a leader in green technologies while reducing its dependence on fuel imports. With this goal in mind, renewable energy capacity is to be doubled over the next three years up to 80 gigawatts. More than one-third of global wind power capacity was installed in the US in 2008.

In the US, companies that will benefit include solar company First Solar, as well as global wind turbine manufacturers such as Vestas.

Europe has been a frontrunner in reducing carbon emissions. The so-called 20-20-20 strategy approved by the EU in 2008 is a long-term framework for promoting "green" technologies. It defines three targets to be reached by 2020: increase energy efficiency by 20%, reduce carbon emissions by 20% and increase the contribution of renewables to the energy mix to 20%. Its implementation at a national level is being managed by existing support programs and legal requirements favouring the development of renewable energies and energy efficiency technologies such as building insulation. In addition, the European Recovery Plan and national stimulus programs, adding up to EUR 56 billion, will bring additional impetus to the entire range of "green" technologies with the biggest portion (EUR 16 billion) committed to increasing the energy efficiency of buildings.

In Europe, companies that will benefit include Solarworld, Vestas, and Rockwool.

Political pressure creates a green-tech megatrend

Globally, the various stimulus packages are also supported by international politics. Following an initial milestone when International Renewable Energy Agency (IRENA) was established in January 2009, in late June Abu Dhabi, the capital of the United Arab Emirates was selected as its interim headquarters. At the July G8 Summit in L'Aquila, political leaders agreed on the importance of greening the fiscal stimulus and aiming to limit rising temperatures by two degrees. At the United Nations summit last week, India shifted its position by saying it would agree to "implicit" carbon emissions targets. Following the Pittsburgh summit, the G20 stated the importance of responding to countries' needs to integrate climate change concerns into their core development strategies, improved domestic policies, and to access new sources of climate finance. Evidence of increasing pressure on business was demonstrated by the airline industry which last week became the first sector to offer a plan to cut industry-specific carbon emissions. Two days later, a group of shipping companies also proposed a global plan for carbon trading for their industry. The mega-trend in favour of green technologies continues, despite the current economic turbulence.

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