

Appetite for investing in clean energy remains visible in Gulf

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Now is the best time to invest in different forms of renewable energy, a senior official from the Bank Sarasin & Co Ltd said. According to Andreas Knörzer, Senior Vice- President and Head of Sustainable Investment, while oil prices have been more than halved by the slowing energy demand, the issues of climate change and security of energy supply remains serious concerns today.

"It's not the price of oil that is driving sustainability, it's also about security of supply. Regardless of price, there are also other issues such as climate change and the negative impact of burning oil and gas," he told Emirates Business.

He said although financing projects has become more difficult, the appetite for investing remains visible in this region.

"It's highly recommended for everybody who sits on a pile of cash to look into investments in sustainable projects now, not to double it in the next three months but the aim is to have a very solid investment in a medium term horizon."

Knörzer said the company – which has recently taken a stake in an Abu Dhabi-based company – is looking at having a capital increase to further beef up its portfolio.

"We could probably raise 80 million Swiss Franc [Dh253m]. That's a substantial increase," he said.

Although optimistic, he also admitted that the renewable sector has also been hit by the crisis. During the fourth quarter of 2008 the net asset value per share fell sharply, dropping 21.9 per cent to CHF330.41. This puts the value of the share 32 per cent lower than at the end of 2007.

The group's fourth quarter report nevertheless says that the majority of its portfolio companies are "managing to hold up well" in this difficult environment.

Analysts say high oil price has fuelled enthusiasm for a diversified source of energy. Today, however, oil price has already fallen by 70 to 75 per cent since its record highs in July. How is the low oil price impacting your investment strategies in clean energy?

It has an impact in such a way that the attractiveness of saving energy and other commodities has become less now compared to last year. But it's not the price of oil that is driving sustainability, it's also about security of supply. Even with lower prices you see a lot of things happening like in Russia and Ukraine where they are fighting over the delivery of natural gas. It is still extremely important to diversify the resources of energy, so renewable energy will still play a major role. Regardless of price, there are also other issues like climate change and the negative impact of burning oil and gas. In terms of investments, investing in renewable energy has become more attractive than it used to be. So it's highly recommended for everybody who sits on a pile of cash to look into investments in sustainable projects now, not to double it in the next three months but the aim is to have a very solid investment in a medium term horizon.

Has the cost gone down drastically?

Yes. We have invested in companies whose business is either to develop or to operate wind or solar parks. What we learn from our investments is that the price investments have to pay to get a fully developed park has fallen substantially, meaning with the same price they get guaranteed price which they are able to sell, electricity, for instance.

Are you buying stakes from companies?

We are fully invested but what we do now but intend to have another capital increase within the

second quarter of this year. We could probably raise CHF80m. That's a substantial increase.

Can you update us on companies in the New Energies Invest portfolio?

The target of a 50 per cent increase in last year's sales and profits was actually comfortably exceeded in 2008. The company predicts growth rates exceeding the market average in 2009 as well, and as far as revenues are concerned it expects falling module prices to be offset by equally steep falls in cell costs. Achieving strong growth, against a backdrop of very tight lending by banks, presents the biggest challenge to the company at the moment. In the first quarter 2009, New Energies Invest will participate in an injection of capital from the shareholders. In response to the historically low valuation of listed competitors, the difficulties that Solarwatt's clients are experiencing in raising finance for large-scale PV projects and the generally insecure financial environment, the Valuation Committee has decided to reduce Solarwatt's valuation by around 17 per cent, despite the good results reported for 2008.

How important is the region in your investment portfolio?

It is important. Its importance is not yet fully reflected in the portfolio. However, what is important now is that we are looking at local companies. We acquired stakes in Enviromena, an Abu Dhabi-based firm specialising in project development for solar energy systems for use in larger-scale plants in the power station segment, public buildings, industry and residential buildings. Enviromena has built up a very good network of contacts and already secured the contract for the development of a 10mw plant for Masdar. The region is important as a customer base already.

Are you looking at raising funds?

There is no reason why not. We will definitely be happy to have an investor base from here. There are already a lot of interest. A lot of investors have already marked some of their investments for sustainable development. We see interests from large families here to invest in sustainable companies.

How can renewable energy compete in this region given that people are paying less on electricity because the cost of power generation is highly subsidised by the government?

At the end there is a need for a political will to do something. But that is the same with our market as well where solar and wind get subsidised in order to have a fair chance at least. Energy is one of the most politically driven business. This is a key need for many people probably after water and food. So it largely depends on the willingness of politicians to make something really happen.

Do you suggest then that renewable energies should be subsidised here?

It is a good starting point. It will help develop technologies. Same with nuclear power. It won't be competitive in Europe if it's not heavily subsidised. The willingness to have a better energy mix is here.

PROFILE: Andreas Knörzer Senior Vice-President and Head of Sustainable Investment, Bank of Sarasin & Co

Knörzer has been with Bank Sarasin since 1989. He graduated from the University of Applied Science, School of Economics, in Berne and holds a diploma from the Swiss Banking School. After graduating in business administration and completing his specialist training as a banker, he has 18 years experience of capital markets, 12 of them as a successful fund manager. He is the founder of Sarasin's range of Sustainable Investment products.

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