

PELHAM PUBLIC RELATIONS

CLIMATE CHANGE AND BUSINESS



In association with REA



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Introduction

Nick Hurd MP

It seems clear that in Britain we have to rethink our approach to renewable energy. Few people dispute that we need it. Anyone who has thought through the implications of both our domestic climate change targets and the EU renewable energy targets, recognises that we need to deploy renewable energy at scale. The timing is critical as we face the necessity of replacing around a third of our energy infrastructure over the next thirty years. Leaving aside the climate change agenda, the growing issues of energy affordability and security should be urging us to drive down the cost of clean energy in which we can be self sufficient. However the fact remains that after ten years of claiming leadership on climate change, we lag our partners and competitors in a depressing way. Indeed we have one of the lowest penetrations of renewable energy in Europe, achieved at one of the highest costs in terms of pounds sterling per tonne of carbon abated. Every time I speak at a conference on this issue I ask the same three questions. Who thinks that the UK Renewable Energy Strategy is a success? Who thinks that the UK is the most attractive investment market for Renewable Energy? Who thinks that we will meet our 2020 target? I very rarely see a hand raised.

The cost of continued failure is not just borne by the environment. It is also a wasted opportunity for UK PLC. Countries like Germany and now China see clearly the opportunity to create new jobs and wealth through innovation and new technology. We talk about it but do not yet seem to be delivering it. For the country that led the Industrial Revolution, it is a shame for us to be cast as laggards in this new age of opportunity.

It is time for all the stakeholders to come together and really grip this issue. From my perspective there is a disconnect in communication between government, industry and the all important consumer. That is why I welcome this initiative from Pelham in stimulating debate and connections. The analysis in this document throws a light on some of the problems. Have we done enough in Parliament to set a clear enough framework? Will the new planning legislation make it easier to get approval or will it entrench local resentment? Do we really understand what needs to be done to improve access to the grid? Does the renewable energy industry do enough to speak with one voice or does it suffer from technology silo complex? Are we doing enough to exploit the City of London as a major source of finance? Do we have the right policy instruments or is it time to look more closely at feed-in tariffs? How much will the consumer tolerate in the new economic circumstances? Above all, what lessons can we draw from other countries that seem to be ahead of us?

I hope that this document will stimulate more thought, debate and ambition.



Nick Hurd MP is a Conservative Member of Parliament for Ruislip Northwood and serves on the Environment Audit Committee. He has been the successful sponsor of the Sustainable Communities Act and a member of the Climate Change Bill Standing Committee.

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The Investor Perspective

John Roberts

The G8 may have announced with a fanfare its aim to cut carbon emissions in half by 2050, but such ambitious targets will never be met without the help of private capital. Here there is a problem.

Providers of private capital need both to buy into the rationale for cutting emissions and to understand clearly why it is in their interest to commit capital towards alternative forms of energy. Only then will the ultimate objective be achieved.

If the ambitions of the G8 are to be realised it will require more than vague statements of support by ministers. It will require the active involvement and participation of all relevant stakeholders, especially the private sector.

Sadly, as Shell's decision to diminish its programme of investment in renewables shows, the appropriate incentivisation and policy structures to encourage this are woefully lacking.

Anyone looking at investing in renewables has to face up to the uncomfortable fact that renewable forms of energy are not yet sufficiently competitive with conventional energy. So they need to be incentivised.

Incentives vital

When it comes to the issue of incentivisation, Germany leads the way in setting up an appropriate structure to encourage investment in renewable energy. Its "feed in" tariff structure incentivises individuals and businesses to generate energy by paying them for the electricity they feed into the country's energy grid. The UK used to have a similar structure – the Non Fossil Fuel Obligation – but with the change of government in 1997, politics got in the way. The new government brought in a new system that, regrettably, has only served to complicate procedures and discourage investment. Its Renewable Energy Obligation does nothing to solve the problem of predicting 5-10 year revenue streams. Clearly a mechanism that provides visibility of returns and an effective policy structure are of vital importance to investors. The result of the current unhappy situation is that the city of Heidelberg generates more electricity from solar power per year than the entire United Kingdom.

Planning and grid connection inhibit new projects

It is not just the lack of incentives that stymie new projects. A huge amount of money has to be spent to get developments through Britain's planning system and there is a desperate need for more certainty throughout the planning process. The recent reforms that have been introduced principally with nuclear projects in mind do not always help. Nuclear power stations have many issues – mainly to do with safety and decommissioning – that are very different from those facing renewable projects. Strategic Area plans really need to designate parts of the country that are more favourable to certain types of projects such as wind or landfill gas and legislation needs to be put in place to encourage them.

And it is not just planning. Even when permission has finally been secured, the distance in time between intention and actual production is enormous – another factor that puts off investors.

Even assuming a project finally makes it to the construction stage, connection to the grid is essential if it is to become properly commercial. Sadly, the process for securing such a connection is both cumbersome, bureaucratic and not at all conducive to entrepreneurial investment.

Need for joined up Government

The structure of Whitehall can also be blamed for the lack of progress being made. You would think that energy efficiency and energy consumption would logically be the responsibility of a single ministry. But the British political system is, as we know, not logical and they are actually the responsibilities of separate departments: DEFRA looks after energy efficiency and DBERR is responsible for energy consumption. To make matters worse, it is well known that the two departments have little regard for each other, so instead of coherent policy making, with a single purpose and direction, we have disjointed arguments, separate agendas and a lack of co-operation to contend with. The result: no progress, and a further factor to discourage private sector investment.



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Misplaced priorities

Quite apart from a political structure that makes the formulation of a coherent policy virtually impossible, there is a more fundamental problem, which is misplaced priorities. At present, the Government's main priority is security of energy supply, which is fair enough: the lights need to stay on, the house needs to be warm and the water needs to be hot. Unfortunately there is a deep resistance to anything that might raise prices, a feeling among the public that because for the past three generations, energy has been cheap (a trend merely exacerbated by the unlocking of the treasure chest that was the North Sea thirty years ago), it should always be cheap. Such a continuing obsession with low prices means that meeting our responsibilities to the environment comes way down the list of priorities. This is unrealistic. As a society, we have to accept that if we are to invest in protecting our environment, it has to come at a price; and we have to accept that it is a price worth paying. This change in attitude must begin with the Government. It can be done. Look at the way social attitudes have changed towards smoking. That took political direction and leadership, but it succeeded and the benefits are clear. Common sense needs to be allowed to prevail. Security of supply could be translated as diversification of energy sources.

How it can be done

In other EU member states, such as Sweden and Austria, a clear and consistent government policy of support for biomass as an energy source has produced results. In Austria, since 1994 more than 850MW of domestic wood fired heating has been installed. By contrast, in the UK, of the 5 to 6 million tons of wood waste generated every year, less than 1.5 million are recovered. Why does this happen? Mainly because the emphasis has been on wood fired Combined Heat and Power (heat and electricity produced from the same power station), which relies for its profitability on selling excess electricity to the Grid. Unfortunately, the variability of the excess on a daily basis does not sit easily in the Grid rule structure, which favours predictability.

We also need to confront the wider policy issue, which is that we are paying farmers NOT to grow produce, when they could be growing biomass feedstock. The key is to provide consistency of government support for biomass as a heat source, so that farmers would commit to long term contracts to supply projects and then investors will have the confidence to fund them.

A need for clarity and structure

Overall there needs to be clarity and structure that provides a clear demonstration to investors that they can make money. The Government needs to accept this mentality. This isn't a BAD thing! There needs to be an acceptable rate of return, compared with other potential investments to ensure that money is directed towards renewables. Ultimately the Government needs to allow markets to do what they do best, by setting a clear and coherent strategy and then stepping back and allowing them to work. Micro-management and interference plays havoc with the free markets and renewable energy is no different.

The Growing Company Perspective

Brian Count

When an industry is at an embryonic stage and technologies are being developed, there is a real need for governments to provide a clear and stable framework from which these companies can formulate growth strategies.

A killer for growing businesses is unpredictable changes in policy and timeframes. Big, established, utilities can cope with a time delay, which could equate to a cost of £1m or more, with relative ease. Small and growing businesses cannot.

Regulation plays a critical role. If we are to improve the current situation that sees all too many projects strangled by red tape, it is vital there is a clear alignment between regulation and policy. For a start, the Government needs to ensure that regulators receive clear guidance and are made aware of the importance of encouraging business to invest in and develop new projects with confidence. In today's energy markets, security of supply and competition are of course important issues. But we need to make sure regulation is properly focused on the demands of an increasingly carbon-constrained world. That means taking positive steps to encourage renewables or other carbon reducing options and to invest in the new technologies that will be essential in achieving the goal of a less carbon dependent world.

Planning and consent issues are often obstacles to growing a company. Any generation or infrastructure project is likely to need consents at any early stage, but under the current system that is maddeningly difficult. Inordinate delays to obtaining consents are commonplace and this plays havoc with investment plans. They jeopardise many suitable projects from ever seeing the light of day. They focus on local concerns without any consideration for the national need. This is a problem that needs to be solved.

National considerations and localised concerns need to be properly identified and treated differently. Too often good projects suffer from the consenting authorities' inability to see the bigger picture. Streamlined and integrated consent processes recognising national interests will reduce costs and encourage more entrants. We need to work with the Government and the planning authorities to get better at bringing projects to successful conclusions earlier. As planning powers are being extended, particularly with the Planning Bill currently before Parliament, many local and regional authorities will become increasingly involved with renewable energy. Though welcome, there will be a steep learning curve on all sides if planning practice is to develop successfully.

Local authorities and energy suppliers can play a critical role in encouraging companies to grow by helping tackle fuel poverty through improved technologies like Smart Meters; streamlining planning processes; and stimulating energy efficiency in the home and business. Sadly smart metering is a very good example of an area where the timeframe has changed significantly, damaging companies whose involvement will be crucial in bringing this important energy saving initiative to successful fruition and, understandably, raising fears among investors.

However, while local authorities need to be made to see the national picture, it is important to decentralise policies as much as possible to encourage and stimulate localised energy solutions such as CHP and micro-generation. Feed-in tariffs could be a good way of encouraging a new set of carbon reducing technologies, such as fuel cells.



Among other things Brian Count is non-executive chairman of Ceres Power, a high growth product development company founded in 2001 to commercially exploit revolutionary fuel cell technology.

Brian joined the Central Electricity Generation Board (CEGB) in 1974 and rose to become Director of Power Generation in National Power, the largest UK generating company formed on privatisation of the industry. In 2000 he was appointed chief executive officer of Innogy plc, formerly National Power's UK business. On acquisition by RWE of Innogy plc in 2003 he became chief executive of RWE Trading, based in Essen, Germany.

But the Government needs to be part of the solution, not part of the problem. The lack of clarity in Energy Policy between DBERR and DEFRA is matter of considerable concern. Further, DEFRA is not sufficiently commercially minded in their outlook and I am never sure whether they take the views of industry with sufficient weight compared with other stakeholder views.

It is partly because of this attitude that intelligent and progressive voices from industry are drowned out because it seems that one protestor has the power to override the views of 20 industry people. NGOs seem to dominate the agenda and carry disproportionate influence and prevent progress being made.

The vacillation and delay that have been so damaging to Britain's nuclear industry is a clear example of what can occur as a result of this. In Britain we seem to forget that other countries such as France have very successfully positioned nuclear power as an alternative energy source, one that offers a low carbon footprint and helps secure their energy supply. There needs to be clear and intelligent debate about this, but sadly, all too often the authorities have been guilty of allowing the heart to rule the head. Policy working groups that are put together need to have a proportionate industry viewpoint, relevant to the contribution in order that not only can varying views be heard, but also progress can be achieved.

Being the first in developing solutions to energy needs can be expensive and risky, but the rewards of getting it right are huge. The UK will benefit from developing technology and skills and transferring and exporting our expertise will pay dividends in every way. What would help, of course, is if the Government could keep up with

the growth of the companies and become wiser about the wider range of technologies that are being developed. Less efficient technologies are getting more support, often because of the knowledge level of the civil servants remains too low.

The Government needs to set a clear plan such as 1GW of power being generated by offshore wind by 20XX or a similar contribution from clean coal. Having set this, companies can actively compete to deliver the result. This gets the technology proven and after that they can compete in the market with the other mature options.

The media also needs to be open minded. The phrase renewables has been given enormous space, yet surely this must change from renewables – which is principally associated with the use of “alternative” environmentally friendly methods of generating energy to produce electricity – to that of carbon emission reduction and environmental protection. Let's get the agenda onto saving the planet at lowest cost – sometimes renewables are crowding out more cost effective carbon reducing technologies.

The UK industry certainly has the innovative ability to be at the forefront of building businesses with the environment being at the core of their business model. Everything points to maintaining and accelerating policies that encourage businesses to grow and to develop solutions to meet the demand for energy and decrease our overall carbon footprint. Stable, predictable and certain frameworks designed to meet these needs are the best guarantees to ensure success.

Everyone can play their part in building a sustainable future.

The Industry Perspective

Philip Wolfe

The renewable energy industry can contribute across all sectors of the economy and at all scales. Because it is effective for decentralised as well as centralised energy generation it can also embrace a very broad range of sectors, and its contribution to energy security is as important as that to climate change mitigation. There is no standard size or scale; the industry stretches from the multinational to the sole trader; nor is there a limit to the technologies and applications in production or being developed.

Europe's sustainable energy targets represent a quantum change from the path we are now on. This change of direction could be delivered by the free market, but only if the so-called 'social costs' of traditional energy production were actually internalised by the market – in other words if energy suppliers had to bear the full cost of their emissions and waste. Governments have concluded that this would be too expensive and disruptive – a less risky approach is to incentivise renewables, while allowing more modest price signals to change the traditional energy market, through the EUETS for example.

The long run policy goal should be to get renewables to the point that they can compete with fossil fuels alternatives without additional support and with social costs of waste and emissions fully internalised into fossil and nuclear energy prices.

In the meantime the Government is relying on industry (i.e. predominantly the REA's 500+ members) to deliver the rapid change required and the City to finance it. Our focus, therefore has been on obtaining strong, clear policy signals from the Government to enable this to happen, and consistency to minimise perceived 'political risk'.

Government intervention needs to focus on encouraging industry to invest significantly and consistently over the long term. Renewable electricity is not enough on its own; heat, biomass, transportation and buildings all need to play their part in helping us all achieve significant progress. Without incentivisation through planning, regulatory, fiscal and tariff reforms it will be difficult to recruit industry to provide the vital skills and capital to meet and exceed our targets.

The REA is looking for a number of reforms

First, a greater sense of urgency. The Government acknowledges that its existing and planned policy portfolio will deliver only one third of our 2020 targets. Yet it is resisting changes to bring accelerated measures into three Bills currently before Parliament, the Energy Bill, the Planning Bill and the Climate Change Bill.

Next we would urge the Government to show more ambition. It is currently seeking to introduce a trading mechanism into the European Renewable Energy Directive, apparently believing that the UK can buy in from overseas to compensate for under-delivery here. In practice we have Europe's best resource of wind, wave and tidal energy, and a greater potential to ramp up our renewable energy capacity because we have lagged so woefully behind the rest of the continent over recent decades.

Our strategy for renewables needs to be better joined up and more holistic than the (lack of) Energy Policy we have experienced since privatisation. Our energy system needs reform to reduce our overall carbon output and to reduce costs of carbon management. More widespread investment in renewable and heat technologies is needed to help create a more competitive and dynamic market in innovative low-carbon technologies.

Regulatory reform to rebalance economic and environment remits is needed to achieve CO₂ reduction through encouraging investment in carbon-efficient technologies. Priority access for renewable energy onto distribution networks would help speed up connections and encourage greater investment. Consents processes need to be streamlined for consistency by simplifying approvals particularly for hydro, bioenergy and wind installations.

Policies also need to be more inclusive bringing other sectors into the energy equation. Previous measures have focused solely on the energy supply industry – in fact mostly just electricity generation. Energy users can also play an important part and this must be encouraged.



Philip Wolfe is executive director of the Renewable Energy Association. He has more than 25 years experience and an international reputation in the renewable energy industry. Philip has worked for Tube Investments, Lucas Industries and was chairman of InterSolar Group from 1993 to 2002. He has served on the boards of European and British renewable energy associations, and on bodies advising ministers, the European Commission and the British Government. He has written many publications on the application of renewable energy technologies and has featured on television and radio.

Buildings are increasingly understood as energy infrastructure, accounting for up to 50% of UK emissions. By combining energy efficiency, eco-design and renewable energy, zero carbon emissions are achievable. Many renewable technologies are widely available for both heating and electricity. The Code for Sustainable Homes requires strengthening and a new effort made to embrace all new buildings needs to be introduced to ensure higher renewable energy standards so providing certainty for industry, reducing energy use and cutting costs.

The greater issue is the existing building stock and the need to provide sustainable energy and drive up standards here. A programme is needed to upgrade existing buildings incentivised through renewable energy tariffs for owners and investors. A government-supported programme is needed for social and rented accommodation, and this could also be tailored to address fuel poverty objectives.

The commercial sector too can make huge contributions with sustainable energy in non-residential building and renewable heat and power for factories, offices, warehouses and shopping outlets. Perversely recent rulings by DEFRA and the regulator Ofgem serve to disincentivise these energy users.

The land and agriculture sector also has a strong role to play, often in conjunction with the food industry. Anaerobic digesters on farms for example can reprocess farm, food and packaging waste to produce bio-fertiliser and the renewable fuel bio-methane, which can be used for combined heat and power production, transport heat or electricity.

Transport is an under-developed sector with renewably-sourced fuels accounting for a fraction of a percent of consumption. The Renewable Transport Fuels Obligation needs to be clarified to attract investment; and the biofuels target raised from 5% by volume by 2010 to 10% by energy by 2020. Fiscal incentives should be introduced to encourage biofuels blending at high levels and to encourage the provision of high-blend pumps on forecourts.

Finally there needs to be consistency, if investors are to participate enthusiastically in the sector.

More pragmatic administrative arrangements around the renewables obligation need to be introduced to reduce uncertainty. While working for larger-scale projects, it is critical to encourage investment into the smaller-scale and at times, riskier projects.

To ensure delivery of the earlier-stage technologies, additional measures are needed. Targeting emerging and newly-established technologies such as wave and tidal developments would promote the export of successful, proven and market-leading technologies. Raising the total expenditure cap under the Marine Renewables Deployment Fund and assisting decommissioning liabilities would be positive measures that would provide additional certainty for investors and developers.

Balances to be drawn between global energy sustainability benefits against localised social and environmental impacts, particularly around large-scale projects such as tidal barrages and hydro-power plants, need to be more fully debated and understood.

Heat contributes a third of carbon emissions. A renewable heat incentive or tariff system would provide substantial emission savings at low cost particularly for on-site technologies such as community and district-heating networks. Feeding in biogas to the national gas networks would also make a positive contribution.

Waste management and renewables policies should be better integrated. The biomass element – unique in providing non-intermittent fuel for both transport and energy generation – needs full recognition as a renewable fuel; and waste-to-energy technologies should be reclassified as renewable.

Finally, investment and pricing are critical to creating a level playing field with fossil fuels and nuclear in particular. Both the Stern Report and the European Commission recognise that financial support is necessary to support the integration and adoption of renewable applications. In times of higher and rising energy prices the role of renewables as a significant contributor to energy security and in offsetting and reducing carbon emissions is only going to grow – along with the industries that deliver it.

The Investment Community Perspective

Simon Stilwell

Somewhere in the world today exists a very small company. It is unknown and loved by none but a few. It probably started life as a university research project and survives today thanks only to the passionate determination of a PhD founder and some like-minded colleagues. The refinement of its technology is a continuous challenge and it is probably years from profitability and cashflows.

But one day, this company and a few like it, will be giants of the world's largest stock exchanges. It will join, or replace, the utility greats of today – BP, Shell, Iberdrola – as a household name and stock in every blue chip pension fund.

The company I write of is, of course, a renewable energy company. It's this very story which makes this growing sector such a fascinating one to operate in. Liberum Capital is committed to the sector because we believe totally in the long-term investment opportunities it will offer our institutional clients. We have watched, already, the advance of the sector from the early days of solar cells and wind power to today's highly advanced and varied clean energy solutions; from clean coal technologies to complex fuel cell systems; as well as related industries like carbon trading and agricultural technologies. The renewable energy 'sphere of influence' continues to expand and its principles are an increasing aspect of everyday investor relations – even for companies where it is not their primary business activity.

There is a clear environmental, social and political need for investment in the renewable energy sector. Winners will emerge generating considerable returns for investors. Why then, do renewable energy companies find it so difficult to raise funds from external investors? There are a number of common themes which arise when working with both specialist and generalist investors on fundraisings for renewable companies. There are also potential solutions which the Government could implement that would see the UK dominate renewable energy development.

One issue is purely size. Large scale, well-developed and established businesses have a strong investor base and visibility to invite newcomers to the shareholder list. Witness Vestas and Gamesa; both have more than ten years of development and, as such, have established themselves in the market as reliable performers. Wind itself is a much more advanced business model which explains the interest in this area but at the bottom end of the market, and in the other sub sectors, it is the smaller companies that struggle for recognition.

But apart from size and profile, there are a number of additional themes thrown back by the investment community for not investing in small renewable companies.

"Profitability is too far away." The very nature of the market means these companies typically need finance to develop a product and later need finance to establish partnerships and to expand sales and marketing functions. In all likelihood profitability is three to six years away. For many mainstream funds this is simply too far in the future to feel comfortable investing, especially with the prospect of dividends even further out. Despite institutional marketing rhetoric, investment performance would appear to be about the short term.

"It's too early stage." Similar to the above point there is just too much risk in financing a product being developed for a market that does not yet exist. Fund managers are presented weekly with optimistic business plans delivered by unproven management teams. This escalation in risk profile is often too much to stomach.

"No one has made any money in the sector." Clearly this argument is not strictly true, but many traditional small company investors have funded ideas that seem like a good idea in bullish markets but which have foundered with changing sentiment. When liquidity is tight it is difficult to exit many of these names. This prompts falling prices as distressed funds exit their investments. Renewable investing does not sit well with sector rotation – a point which also ties in with the more structural issue of asset/liability matching. Money has exited small companies as an asset class as mature pension schemes move to gilts to reflect their liabilities.

"The technology might make 'renewable sense' but it doesn't make business sense." Biofuels is/was a fundamentally flawed model. With a soaring oil price biofuels should be an attractive investment area but without subsidy, large scale guaranteed supply and no dominant production technology, it is difficult to see it working on a pan-European scale. Combine this with an inconsistent EU subsidy policy and a conversely consistent EU directive on implementation then there clearly is a problem. Even the most seasoned investor finds it difficult to see a clear path in this area.

"I don't understand where the Government stands on renewables." We hear tales of inter-departmental conflict and lack of planning clarity with no clear view on subsidies. Is a strong renewable policy a vote winner or a determined



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effort to effect change? The lack of strong policy and fiscal incentive is deeply troubling to companies and investors alike. To the investor it creates nervousness and another reason not to invest.

“Market timing mismatch.” There is a fundamental mismatch between the investment horizon of institutions and the capital requirement for early-stage renewable companies. If there is a bull market phase and green issues are high on the social/political agenda then capital can be easier to acquire. But a bear market and retrenchment to more defensive stocks can make it almost impossible to secure fresh investment. In addition to this, the requirement for funds to deliver results on a quarter by quarter basis does not sit well with a five-year renewable technology development programme.

“My job is about getting the best returns.” Investors are motivated by achieving the highest return for their investors – not saving the planet. Methods of adding the additional benefits of carbon credits to investment return and in some way boosting actual return would appear to be over-complicated. While there are specialist funds investing almost exclusively in renewable sectors they do not represent sufficient capital to support the sector. It could well be that the more stable, specialist utility funds have a renewable element to give some performance outside the normal utility style investment and, given they are the probable eventual owners of small renewable companies, this could well be a natural fit.

“Management understand the technology but they’re commercially inexperienced and unproven.” Lack of management experience is one of the key reasons for fund managers not to invest in early stage companies. It’s a frustrating ‘chicken and egg’ situation. As an industry struggling to find its feet it is not likely to attract experienced ‘best of class’ management teams. The fact that a company is a long way from commercialisation can be off-putting to top management candidates who have remained thin on the ground.

So what is the solution? Clearly each renewable energy company aiming for external investment has to develop its best investment case and sell a business model that investors believe can make them attractive returns. But aside from these individual endeavours, we believe there are a number of government actions which would promote healthy investment into this sector for the good of investors, companies and the British economy:

First, communicate a clear and stable government policy. Give companies an unambiguous indication of what they can expect and stick to it. This relates to subsidy, planning and policy. This should give investors confidence that, although the operational pitch may not be flat, at least the financial posts will not move.

Secondly, implement tax incentives. Although this might be difficult to implement for mainstream funds, it could easily be reinstated for the VCT arena. The previous VCT regime attracted good levels of retail investment but was curtailed in 2006 on the supposed EU cry of illegal state aid. The reinstatement of these rules for specific green investments on a pan-European basis could provide genuine early-stage investment with the required three-year minimum investment time horizon. It may also align social conscience with investment in the right area as opposed to a broader SRI theme.

Finally, introduce corporate tax incentives. Any investor will take great comfort from third party (corporate) validation of a technology or business model. This is usually in the form of partnering or direct equity investment. Why not give companies a pound for pound corporation tax rebate on any direct investment into early stage renewable companies.

These suggestions are hardly exhaustive but this kind of external support is important in securing the success of this sector. As an investment bank with a duty of care to both companies and investors we are sympathetic to the issues faced by both sides. It is our job to find and support ‘best in class’ companies and management teams and help that finance their business plans and objectives and in this endeavour we can proudly point to some outstanding successes. The Government, too, needs to acknowledge its responsibility to support this sector. To those with influence the message we would deliver is ‘lead from the front’ – doing so will benefit our economy, our competitive standing and, ultimately, our environment.

The Communication Challenge

Chelsea Hayes
and Ian Priestner

As a new industry, clear communication is vital

All companies have environmental responsibilities, but some companies have responded to the challenge by putting the environment at the core of their business model. For them, there are many challenges ahead as they evolve into a “new” industry. Very few industries have such a strong connection to the policy and political world as the renewable energy industry. This challenge makes good communication vital to the successful growth of companies.

The industry has had to break through entrenched positions and thinking, create awareness of the potential benefits it can bring and create and amend laws to enable it to prosper. Changes like this are invariably fraught with difficulties.

Most important of all, the mindset of society has to be tackled head on – moving from consumption to conservation; from depleting resources to sustainability; from expensive to affordable. Added to all this, the promotion of environmental positioning still has many perils; the media are all too happy to knock people down from their moral high ground. Getting the balance of delivering returns for investors while “bringing good for the environment” doesn’t sit well with the media, yet to achieve actual environmental change, business needs to be involved.

Education about the technologies available is required

As we have read in other viewpoints, “renewables” as a term is at times slightly restrictive and everyone thinks of alternative electricity production. There is so much more. Technologies are constantly being developed and new ideas continually evolving. Educating the key audiences about these developments is crucial.

In common with many industries (but more acutely than most) the renewables sector is reliant on and benefits from a focus on communications. Communications help shape and inform the debate, building common positions on key

issues; it can help mobilize opinion around campaigns and positively influence government and regulatory policies and laws; and it can encourage investment and help attract the best talent around. Unless the message is delivered, industry will be held back from achieving its potential.

Government has a major impact – so you must communicate with it

Whichever the sector, companies have to communicate to key stakeholders. For the more environmentally focused companies, this means a much wider group than just investors and customers. Having this wider audience is not new. Utilities have been managing this communication between multiple stakeholders for years. Because the Government plans to have a major role in impacting future profitability, environment groups have a significant voice and regulators are constantly scrutinizing business plans and setting targets. The new renewables industry should learn from this, particularly those companies which have to manage investors who are financing large infrastructure projects. These projects not only require significant financing but hinge on planning processes and approvals from various bodies. All of this takes time and the more time that passes without communication the more damage can be done to a corporate image.

Translation is required as investors and civil servants speak a different language

For companies to communicate as effectively as possible and help support their commercial objectives, the financial communications and public affairs elements must be completely aligned. Ignorance and information vacuums are not helpful to politicians, civil servants or investors so it is essential to communicate clearly and effectively.



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Ian Priestner joined Pelham in 2008 and was previously Director of Communications at United Utilities and has worked in communications in the energy industry for more than twenty years. He has particularly strong experience of dealing with employee communications, regional communications strategies and public affairs.

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