

## Market and Political Overview of the Clean Technology Industry

As we enter 2009, and the future for the world economy looks uncertain, there are a number of factors influencing the prospects for the clean technology market.

### Politics of Climate Change in the UK

Many world leaders regard clean technology as an integral part of economic recovery; however the politics of climate change in the UK presents both challenges and opportunities for the UK clean technology industry.

The race to cut carbon emissions by 80% by 2050 is on for both the public and private sectors. Sustainability is clearly high on the government agenda, shown most clearly by the development of the new department purely focussed on energy and climate change, DECC. DECC has taken over many of the climate change responsibilities under the Department of Environment, Food and Rural Affairs (DEFRA) and the energy functions under Department of Business, Enterprise and Regulatory Reform (BERR) to offer greater focus in solving the twin challenges of climate change and energy supply. Ed Miliband is the new Secretary of State and Mike O'Brien MP is the new Minister for Energy for the department.

2008 was an interesting year politically in other ways too.

- June 2008, the Innovation, Universities and Skills Select Committee criticized the government's renewable policy saying it was unlikely to meet its target of 10% of electricity being generated by renewable sources by 2010
- November 2008, the Energy Act and Climate Change Act received Royal Assent

Most recently, in January 2009, at the World Future Energy Summit in Abu Dhabi, Tony Blair called for a new global agreement setting tough new global interim targets up to 2050 to "transform" countries into low carbon economies. In the same month, the Conservatives published an energy policy paper, focused on decentralised energy. They want to enable businesses, local schools, and hospitals to generate electricity through microgeneration. These include small and medium sized wind turbines, energy from biomass, energy from waste, photovoltaic panels and micro-hydro energy.

The Westminster estate itself is also under pressure to improve its carbon footprint. As part of their Greening Government initiatives targets have set for the central government office to achieve carbon neutrality by 2012. Departments are to source at least 10% of electricity from renewables by 31 March 2008, and at least 15% of electricity from Combined Heat and Power (2010).

The creation of DECC and other policy developments demonstrates the importance of new political relationship building at all levels.

### International Developments on Climate Change

From an international basis, at the end of January, a [conference](#) establishing the International **Renewables Energy Agency (IRENA)** was held in Bonn, Germany to provide a separate focus on renewable energy than the [International Energy Agency's](#) (IEA)

IRENA is expected to provide practical advice and support for both industrialised and developing countries as they seek to increase renewables capacity, help governments improve regulatory frameworks for the sector, and improve financial mechanisms for renewable funding. The aim is to have the agency fully operational by 2010 with an initial annual budget of €25m.

The UK and the US have not yet committed to joining the new group, and will not sign the founding treaty.

In addition, the big international focus for 2008 and 2009 has been the UN Climate Change conference.

In December 2008, the conference took place in Poznan, Poland. The conference marked a clear commitment from governments to shift into full negotiating mode next year, in order to shape an ambitious and effective international response to climate change, to be agreed in Copenhagen at the end of 2009.

At Poznan, progress was made on a number of important ongoing issues that are particularly important for developing countries, including: adaptation; finance; technology; reducing emissions from deforestation and disaster management.

A key event at the Conference was a ministerial round table on a shared vision on long-term cooperative action on climate change. The round table provided the opportunity to lay the foundations for further work for an agreed outcome in Copenhagen.

In December 2009, during the 15<sup>th</sup> conference of the parties of the UN Framework Convention on Climate Change (UNFCCC), environment ministers from all over the world will come together with the aim of establishing an ambitious global climate agreement for the period from 2012.

This conference has the potential to shape UK environmental policy. According to the Rt Hon Ed Miliband MP, three conditions have to be fulfilled for Copenhagen to be regarded as a success. First, the wealthy industrialised countries have to agree tough new targets for cutting their CO<sub>2</sub>. Second, the developing countries, led by China, have to move away from "business as usual", even if they do not take on the same sort of numerical targets. And third, the rich nations have to agree a way of financing the developing countries, especially the poorer ones, in the measures they take to adapt to the climate change that is coming.

## **Economic Downturn**

An [article by Lord Stern](#), Chair of the Grantham Research Institute on Climate Change and the Environment, in the New Scientist on the 21<sup>st</sup> January 2009, highlighted how in this time of economic crisis, there is an opportunity for a clean technology revolution that will drive sustainable growth and development of a low-carbon global economy.

He stated that the global economic downturn is a chance to tackle climate change by bringing forward investments in low carbon economy while costs are lower. It can provide job opportunities in key sectors where resources are idle, such as construction.

The idea of a clean technology revolution is exciting, but, inevitably investment decisions are being delayed. However, with legislation a key driver for many clean technology products and services, the opportunity is there to discuss with government about the industry benefits of clean technology in these difficult economic times.

Lord Stern also spoke at the [World Economic Forum in Davos](#) at the end of January, suggesting that Britain's banks and other financial institutions would be an essential element in building the low-carbon infrastructure the country will need if it is to achieve its emission-reduction targets. He also believes the financing of green initiatives could help them rebuild their profits.

The Davos meeting had been designed with a strong green theme, with leading economists and scientists speaking at a raft of meetings about the need to cut fossil-fuel use. Another report from the World Economic Forum called for annual global investment of £360 billion in green-energy infrastructure including wind, solar power, geothermal energy and biofuels.

## **The inauguration of US President Barack Obama**

We had to include a section on [Barack Obama](#), as all eyes are firmly focussed on him and what he will do to deliver the change that he has promised throughout his electoral campaign. Obama's campaign promised not only economic stimulus but also support for clean technology.

His plans for a clean technology economy are unlike any policies of the Bush administration. Rather than allowing the economy to overshadow and marginalise environmental concerns, Obama wants to use environmental principles to help drive economic growth.

So, he promises a very different future for the battle against climate change. In a speech just 6 days after his inauguration, the President highlighted the aim of doubling renewable energy within 3 years. Obama has committed to ensuring that 10% of US electricity comes from renewable resources by 2012 and 25% by 2025, as well as an 80% reduction in the US greenhouse gas emissions by 2050.

The New Energy for America Plan proposes to help create 5 million new 'green jobs' by investing \$150 billion over the next 10 years to catalyse private efforts to build a clean energy future. Recently, Obama selected alternative energy supporter and Nobel-prize winning physicist Steven Chu to head the Department of Energy, which is a significant boost for the American clean technology industry.

If America is now choosing to act on climate change, Europe need to act to ensure the commercial advantages in clean energy are also matched.

### **Conclusion**

Clean technology is clearly an important issue on the political agenda this year, both in the UK and internationally. The creation of the DECC in the UK, the start of Barack Obama's presidency and the International Energy Renewable Energy Agency are all key issues for 2009.

This year, the clean technology industry has a real chance to define its own path towards a low-carbon future, which is the only realistic future for sustainable economic growth. Trends in legislation are set to focus more and more on clean technology and the impetus behind clean technologies is significant. Now is the time to really get involved in the political debate and maximize the opportunities that are presented.