



**Welcome to the EnviroDaq fortnightly newsletter focusing on companies in the UK's growing environmental goods and services (EGS) sector.**

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## EnviroDaq

EnviroDaq is an index of UK listed companies which generate at least 60% of their market value from providing environmentally-focused goods and services. This includes companies in the following sectors: renewable energy; energy efficiency equipment; renewable materials; waste management; water and waste water treatment; air pollution control equipment; environmental monitoring and instrumentation; cleaner technology processes.

Recent research carried out by EnviroDaq indicates that companies in the environmental goods and services sector now account for 2.5% of the AIM market. This is second only to the Speciality Finance sector in terms of market representation.

The EnviroDaq now has 72 members; all of whom are listed in the UK stock market, and over 95% are listed on the AIM market.

### **EnviroDaq stats (as from today)**

EnviroDaq Index Current Value: 137.08  
EnviroDaq Index Yesterday Close: 136.15  
EnviroDaq Index Movement Today: +0.68%  
EnviroDaq Index Movement Last 7 Days: -0.42%

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## Opinion

### **Government Legislation Pushes Waste as a Resource**

Waste and resource management is a dynamic and growing industry, as demonstrated by the level of consolidation that is continuing to take place in the sector. Already this year there have been significant transactions involving two major companies, Waste Recycling Group (WRG) and Cleanaway. The sale of a third, Biffa, is expected soon.

One of the main drivers of this recent activity is the wave of EU legislation that the UK Government is implementing, which has prompted a major re-think in the way that local authorities handle, treat and dispose of the waste that society generates.

The changes are supported by a range of targets that the Government and local authorities are required to meet. Failure to meet the targets can result in significant financial penalties. To avoid falling foul of the legislation, the UK must abandon the long held practice of consigning most of its waste to landfill and start to deal with waste more sustainably – through recycling, re-use and the recovery of value, such as the conversion of waste to energy.

Local authorities are turning to the waste management industry to help them adapt to the new legislative framework, such as through long-term contracts to manage the recycling and landfill diversion necessary to meet Government targets. These multi-million pound contracts, typically for 25 years and longer, often employ Public Finance Initiative (PFI) or Public Private Partnerships (PPP) funding. The total value of the investment for new treatment and disposal infrastructure is estimated at some £10 billion.

WRG's business strategy is focused on capitalising on the opportunities offered by local authorities looking to reduce their reliance on landfill. There is a growing understanding of the need for Energy from Waste (EfW) incineration, which can release the value locked up in waste by generating steam for heat or electricity. EfW can complement ambitious recycling programmes and help to address climate change by reducing the use of fossil fuels. In short, this blend of recycling and energy recovery can provide a lasting strategic response to meeting the UK's broader environmental aspirations.

*Mike Snell, general manager, external affairs, Waste Recycling Group (WRG)*

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## News in Brief

### **Cambridge Biostability Signs Joint Venture with Indian Firm**

Cambridge Biostability Limited, a developer of temperature-stable liquid vaccines, has signed a joint venture (JV) agreement with the second largest vaccine producer in India, Panacea Biotec.

Under the terms of the JV, Panacea Biotec has taken a 10% stake in Cambridge Biostability (CBL), for a total consideration of just over £1.9m. In addition, Rajesh Jain, joint managing director of Panacea Biotec, has joined the board of CBL as a non-executive director.

The two companies have also signed a long term licensing agreement which enables Panacea Biotech to license CBL's stable liquid technology to develop, produce and market vaccines for the treatment of diphtheria, tetanus, pertussis (whooping cough), hepatitis B and haemophilus influenza B (a major cause of bacterial meningitis and pneumonia in children). This product will be unique in that it will not require storage under refrigeration or reconstitution before use, extending the shelf life of vaccines and thereby saving around US\$100 million in waste vaccines every year.

### **Barclays Tops Emissions Trading Poll**

A leading environmental magazine has voted Barclays Capital the best trading company in Europe's fast-growing carbon emissions trading scheme (ETS).

Readers of *Environmental Finance* voted in the poll, which also saw CO2e and TFS Energy shared Best Broker honours, consultancy ICF International voted Best Advisory company, UK-based EcoSecurities voted Best Project Developer and Clifford Chance voted Best Law Firm. Full results of the poll were published in the December/January edition of *Environmental Finance*.

Editor Mark Nicholls says that "environmental markets have seen strong growth in recent years, and look set to continue this trend in the future. These are no longer marginalised, niche markets, but firmly in the mainstream."

Volumes in the EU ETS have risen dramatically this year, with some €18.8 billion worth of carbon dioxide allowances traded in the first nine months of the year, according to World Bank figures. This compares to around €8.2 billion in 2005. With the European Commission slashing proposed carbon targets for the next phase of the scheme, activity in the market looks set to rocket even further.

### **Institutional Investors Urged to Participate in Carbon Disclosure Project**

The Carbon Disclosure Project (CDP), the world's largest investor collaboration on climate change, is inviting more institutional investors to participate in 2007.

CDP facilitates collaboration on the business implications of climate change. On behalf of its institutional investor signatories, the CDP sends an annual request to all listed companies asking for information relating to their greenhouse gas emissions and the steps they are taking to reduce risk resulting from climate change.

CDP's last iteration, CDP4, was supported by 225 major investors with more than US\$31 trillion in funds under management. Signatories included ABN Amro, AIG, Allianz, AXA BMO Financial Group, Credit Suisse, HSBC, Merrill Lynch, Mitsubishi Tokyo Financial Group, New York State Retirement System, Scotia Bank and UBS.

The CDP5 information request will be sent on February 1st 2007 to 2,400 companies globally. Investor groups wishing to become signatories should contact Daniel Turner at CDP by January 26<sup>th</sup>, on [Daniel@cdproject.net](mailto:Daniel@cdproject.net).

### **Theolia Divests Non-wind Assets**

Theolia SA, the France-based renewable energy company, has announced that it is to transfer its non-wind assets (biomass, CHP, biogas and solar) to a wholly-owned subsidiary, Theolia Benelux.

The assets to be transferred include solar energy development projects in Spain; biomass and biogas development projects in Italy; and two French projects.

Jean-Marie Santander, CEO of Theolia, said: "We will continue to lead the growth of our global wind assets from our base in France, while our Belgian colleagues deploy their considerable expertise in developing and acquiring assets in other renewable power sectors such as biomass and solar."

Theoli Benelux meanwhile announced that it has taken a 51% stake in the Dutch CHP and biogas specialist, Polargen for a cost of €5.1m.

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## EnviroDaq Company News

### **Novera Energy Buys Out JV Partner**

Novera Energy, a UK renewable energy producer, has bought out the 50% shareholding of its joint venture partner Macquarie Renewables in the Novera Macquarie Renewable Energy Joint Venture Limited (NMRE).

The £30m acquisition will be financed through a new share placing.

NMRE was established in the UK in December 2004 as a 50:50 joint venture between Novera and Macquarie Bank Group to acquire and operate landfill gas and biomass renewable energy assets. NMRE currently has one of the largest diversified renewable energy portfolios in the UK with an installed operating capacity of 131 MW at 59 sites.

Commenting on the acquisition, David Fitzsimmons, chief executive of Novera, said: "this acquisition is a major step forward for Novera as it transforms the scale of the company's operations in UK renewables, creating a business with greater economies of scale, critical mass and a much stronger platform to drive future consolidation in the sector."

### **Metal-Tech Says Revenues in Line with Expectations**

Metal-Tech, the metal-based hydrometallurgy and chemical company, has announced it is expecting its full 2006 trading figures to meet market expectations.

In an end of year trading update in December, it said that its strategy of targeted geographical expansion and increase in production had resulted in first half 2006 revenues which were ahead of market expectations. However, a still-unresolved supply disruption in Uzbekistan led to a fall in revenues in the second half of the year.

Metal-Tech is due to provide an official preliminary trading announcement on 25<sup>th</sup> April 2007.

### **PolyFuel Looks Forward to Successful 2007**

Fuel cell membrane developer PolyFuel Inc. has cited five new contract wins in 2006 as evidence of its strong commercial performance and positive prospects for 2007.

The California-based company develops engineered fuel cell membranes for the portable electronic and automotive industries. It supplies membranes to the world's leading fuel cell system developers, the majority of which are major consumer electronics companies, such as NEC, Sanyo and Samsung.

In a December trading update, Jim Balcom, PolyFuel's chief executive officer, said: "we are very pleased with progress made during the quarter and during the year. All five of

our design wins have been achieved at the expense of the older fluorocarbon membrane technology. PolyFuel's customers have cited the higher performance, higher efficiency, and superior water management characteristics of PolyFuel's hydrocarbon technology as the reasons for the switch."

#### **New Chief Financial Officer at Clean Diesel Technologies**

Clean Diesel Technologies Inc., a developer of technological solutions to reduce harmful engine emissions, has appointed a new chief financial officer.

Ann Ruple joined the company in December 2006. She is a former director of financial planning at high-tech company NCT Group.

Prior to NCT Group, Ruple held various senior management positions in both private and publicly-traded US companies, including PricewaterhouseCoopers.

Said Ruple, "I am pleased to join the company at this exciting time. With increased legislation and norms in the US, UK and Europe, companies are under more and more pressure to reduce their emissions which will further increase the demand for Clean Diesel's technologies and licenses. My background and experience in publicly-listed technology companies with strong IP positions is a great fit with Clean Diesel, and I look forward to making contributions to the company's healthy growth."

#### **QuestAir Install Landmark Methane Recovery system at Michigan Dairy**

QuestAir Technologies Inc. has announced that it has installed a methane-recovery system at a site in Michigan.

The company's M-3200 system will recover methane from animal waste at the Scenic View Dairy in Fennville.

The system was purchased by Phase 3 Developments & Investments, a developer of renewable energy projects in the agricultural sector, as part of a plant that generates pipeline-grade methane as well as electrical power from anaerobic digester gas.

Constructed in the autumn of 2006, the new facility will generate methane-containing biogas from the anaerobic digestion of approximately 25 million gallons per year of manure, as well as organic wastes from biodiesel and bioethanol plants located near the dairy. Electrical power and pipeline-grade methane from the anaerobic digester will be used to meet the total energy needs of the Scenic View Dairy, with the excess being sold to third party customers.

Product methane from the plant will be injected into the local natural gas distribution grid. The plant is expected to be fully operational during the first quarter of 2007.

*For all the EnviroDaq company news visit [www.EnviroDaq.com](http://www.EnviroDaq.com) and view the news archive*

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### **EnviroDaq Company Case Studies**

*The following case studies of companies in the EnviroDaq index were penned by the companies themselves and have not been edited by the EnviroDaq editor. We therefore accept no liability for the accuracy of the information contained within them and they should not be used as a prospectus for investment purposes.*

**Company Name:** Freeplay Energy Group PLC

**About the company:**

Renowned for innovation and application, Freeplay Energy leads the world in the development and marketing of sustainable energy devices. Last year, the company launched the world's first wind-up digital radio to the UK market, floated on the AIM market and was shortlisted for 'British Brand of the Year' in the prestigious Walpole Awards.

**Unique Selling Point**

Freeplay's self-sufficient energy technology combines wind-up, solar and rechargeable power into unique, portable, consumer electronic products replacing conventional battery-powered systems that are wasteful and costly. Its range of products includes wind-up radios, torches and a mobile phone charger. It has sold over four million units sold to date. Portable energy sources are the latest products to join the portfolio.

**Market Competition**

Having worked to commercialise and develop the world's first application of wind-up technology, the company's series of rechargeable products are renowned for design excellence and reliability borne of a wealth of experience and commitment to innovation. Moreover, Freeplay Energy products lead this market space by continuing to deliver energy nearly three times more efficiently than all other competitors.

**Future Prospects**

The company believes that there is currently a very positive market for its technology, driven by greater consumer awareness of 'green' and environmental issues. It continues to develop applications to utilise its technology in new product categories in 2007 and beyond.

**Management Structure**

Rory Stear, executive chairman  
Peter Porteous, chief executive officer  
Richard Court, finance director  
John Hutchinson, technology director  
David Floyd, group business development leader

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**Contact EnviroDaq**

EnviroDaq has been developed by the UK Centre for Economic and Environmental Development (UK CEED), a charitable foundation, and the Centre for Sustainable Engineering (CSEng), a not-for-profit company. The aim is for the index to become an authoritative benchmark for performance in the environmental industries and to attract

recognition for, and investment activity in the sector. Please get in touch if you wish to give feedback on our newsletter or submit relevant news or case studies. For more information on EnviroDaq visit [www.envirodaq.com](http://www.envirodaq.com) or contact Gareth Jones ([g.jones@ukceed.org](mailto:g.jones@ukceed.org); Tel: 01733 311644 )

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#### About Envirodaq

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