



Issue 3

Friday 11 August 2006



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

The EnviroDaq Index, the first index for UK-listed environmental technology companies, has grown by 40% over the last 12 months against the FTSE 100's growth of 23%.

The 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: 152.75
EnviroDaq Index Yesterday Close: 153.28
EnviroDaq Index Movement Today: -0.35%
EnviroDaq Index Movement Last 7 Days: -3.21%

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Opinion

Expanding Markets Overseas

Driven by legislation, eco-aware consumers and competitive forces, the environmentally-focussed goods and services sector has seen significant growth and diversification. In the UK many of the sub-sectors, such as waste management and drinking water supply, are reaching maturity owing to the infrastructure in the western world having been long established. There is of course a need to constantly improve the environmental performance across the sector which should bring about both investment and innovation in these fields. However, it is the relatively new sub-sectors, such as renewable energy, which are seeing high levels of growth in developed countries.

The west has gradually moved through those activities which satisfy basic human and environmental needs and onto new sustainable innovations. However, this can not be said of those countries such as China and India which are rapidly developing and therefore create a pull on the whole environmental goods and services industry. There is a need for these countries to satisfy the basic needs of its people and the environment, while simultaneously seeking to incorporate renewable energy technology into its infrastructure.

Although perhaps contradicting general perception, China is recognising the impact its burgeoning manufacturing industry is having on the environment and is targeting renewable energy sources as part of the solution. These countries create a pull on the whole environmental goods and services sector, and therefore high levels of growth for the industry can be expected.

Thus there are massive opportunities for businesses in slow-growth, maturing home markets to take on projects overseas, while also increasing the potential markets of emerging environmental goods and services.

Editor

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News in Brief

Researchers from MIT have demonstrated the feasibility of attaching wind turbines to the top of floating cylinders, which are anchored to the seafloor by cables and ballasted with concrete. This approach allows wind farms to be located in water from 30 to 300 metres deep. Thus, as these wind turbines could be placed far out on the continental shelf, they would be invisible from the coast line and would also be able to catch more wind.

Tesco has revealed its plans to financially reward customers who use fewer plastic bags and instead reuse old ones or use their own trolleys. One Clubcard point is to be awarded for every new carrier bag not used. In addition to this Tesco aims to reduce the number of new carrier bags that are handed out to customers by 25% over a period

of two years.

Defra's Government statisticians have reported their findings on the progress of sustainable development within the UK. The report, 'Sustainable development indicators in your pocket 2006' contains 68 indicators which describe the state of the nation, such as health, housing, jobs, crime, education and the environment. A traffic light system is used to show whether each indicator is improving, worsening or staying the same. From these indicators, 53 show improvement, 17 deterioration, and 24 remain unchanged. In comparison with 1999, indicators showing an improvement include air pollution emissions, waste recycling, housing conditions, and local environmental quality. Areas showing deterioration over the same period include greenhouse gas emissions from aviation, water leakage, household waste levels, and childhood obesity.

United Nations Environment Programme (UNEP) has warned that large areas of the Pacific mangrove ecosystem could be submerged by the end of the century. Rising sea levels, which is linked to climate change, is set to destroy as much as 13 per cent of the mangrove ecosystems in the region, with American Samoa, Fiji and Tuvalu being among the worst hit islands. Mangroves are important nurseries for fish, offer shoreline protection, filter coastal pollution, and provide the local people with valuable goods and services. Achim Steiner, UNEP's Executive Director, said: "There are many compelling reasons for fighting climate change; the threats to mangroves in the Pacific, and by inference across other low lying parts of the tropics, underline yet another reason to act".

Policy News: Energy Trends statistics has estimated that only 4.2% of the UK's electricity came from renewables in 2005. Although improving upon the figure of 3.6% in 2004, industry figures suggest that this will only rise to 7-8% by 2010, falling somewhat short of the government's target of 10%.

Meanwhile, Mayor of London Ken Livingstone has revealed plans to increase the congestion charge for those vehicles with high CO2 emissions. The majority of vehicles would continue to pay £8 per day but those vehicles with the highest CO2 emissions, such as sports utility vehicles, would have their fare hiked to around £25 per day. In order to provide an incentive to switch to more fuel efficient vehicles, low emission cars would benefit from a discounted rate, which is set to come into force in 2008, with the higher charges following two years later.

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EnviroDaq Company News

Clean Air Power Ltd., the developer and provider of Dual-Fuel™ technology, has announced that it has supplied Tesco plc. with a Mercedes-Axor truck, which has been converted to run on diesel and natural gas. [Read More](#)

Infinity Bio-Energy has entered into agreements to obtain controlling interests in three Brazillian sugar and ethanol production businesses. [Read More](#)

Ocean Power Technologies, Inc has announced the signing of the Engineering, Procurement and Construction (EPC) contract for the building of a 1.25 MegaWatt wave power station sited off the coast of northern Spain. [Read More](#)

Virotec International Ltd. has announced that AquaSolve has entered into its first contract to licence ViroFlow™ Technology, using the ViroFilter™ system to remove radium from drinking water. [Read More](#)

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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.

D1 Oils plc

Introduction

D1 Oils is an international company with a vision to become the world's leading biodiesel business. We are doing this through involvement in the entire process of producing biodiesel from "earth to engine".

This vertically integrated strategy means that our business is actively involved in the complete supply chain - agronomy, refining and trading - of producing this sustainable fuel.

- Agronomy:

Our agronomy business is based on the science, planting and production of inedible vegetable oils. We have identified a low-cost feedstock, *Jatropha curcas*, as a non-food oil crop that can be grown on marginal land. We are pioneering the science of *jatropha* production by working with world-leading plant researchers and we are working with farmers, governments, non-governmental organisations (NGOs) and community groups to plant *jatropha* worldwide. Up to 30 June 2006 we have planted over 68,000 hectares of *jatropha* in Southern Africa, India and South East Asia.

- Refining:

The highly-flexible D1 20 modular biodiesel refinery, capable of producing up to 8000 tonnes of biodiesel a year, is at the core of our ambition to lead the world in biodiesel. We design, build, own, operate and market biodiesel refineries based on the D1 20. These refineries can process a wide range of vegetable oils. We currently have 32,000 tonnes of refinery capacity installed at our Teesside headquarters.

- Trading:

As our agronomy and refining businesses develop, we are building trading capabilities in seeds, seedlings, seedcake, crude vegetable oils and biodiesel to support both. We have already negotiated agreements to sell refined biodiesel made from other vegetable oils into the established transport fuel market in the UK and Europe. Our trading arm is continually seeking other sources of low cost feedstock to trade for our own use or for sale to other biodiesel producers. As the market grows we will trade in crude and refined *jatropha* biodiesel from our own and other growers' plantations.

Unique Selling Point

D1 Oils is one of the first companies in the world to be set up specifically to meet the need for renewable fuels on a global basis through growing energy crops in developing countries.

For many developing countries, industrialisation does not provide a ready route out of poverty: the lack of natural resources, raw materials, infrastructure and open markets mean it is difficult to build a manufacturing base from scratch. However, biodiesel production provides an outstanding opportunity for poorer countries literally to grow their way out of poverty and advance rural development by cultivating the feedstocks that are the raw materials for this fuel of the future.

Our business model is built on helping developing countries to capitalise on this opportunity. Jatropha, the hardy, highyield feedstock that we have identified, grows readily on marginal land that's unsuitable for food crops or land that has fallen out of agricultural production. Jatropha can also be irrigated with waste water, and maintained easily by relatively unskilled labour. As a result, it provides a valuable cash crop that can be cultivated without using valuable resources - land, pure water, skilled labour - that are better employed elsewhere.

Jatropha, allied to the D1 20 refinery module, gives developing countries the chance to produce biodiesel for their own transport and power-generating needs, and so reduce reliance on increasingly expensive imports. At the same time, the harvested jatropha seeds and unrefined crude oil can be exported to developed markets which do not have the potential to grow the crop in such volumes.

It will take time, but jatropha plantations will go a long way towards rebalancing the economies of the developed and developing world. There is no trade-off between food and non-food crops, and absolutely no need for further de-forestation and desertification.

Competition

Although many other companies are involved in developing energy crops and producing biodiesel at a national level, we are the only company that is doing so on a global basis at this time. We do not therefore see any direct global competition.

The biodiesel business is growing rapidly and changing quickly. We therefore see our counterparts in the industry as potential collaborators as well as competitors.

Financial Performance

- Raised £11.5m on AIM listing in October 2004
- Raised secondary funding of £24.4m in June 2006
- Achieved key targets for agronomy and refining businesses:
 - Rights obtained to over 68,000 hectares of jatropha planted to 30 June 2006
 - 32,000 tonnes of refinery capacity deployed in UK
 - Net cash at 31 December 2005 of £23.4m

Future Prospects

Our combination of activities gives us particular strength in a fragmented industry.

We believe there is currently a positive market environment for biodiesel driven by high energy prices and positive government support. We are well positioned to capitalise on growth opportunities in biodiesel market.

Board and Management

Karl Watkin MBE – Non-Executive Chairman
Elliott Mannis – Chief Executive Officer
Richard Gudgeon – Group Finance Director

Peter Campbell – Executive Director
Steve Douty – Regional Director
Dr. Clive Morton OBE – Non-Executive Deputy Chairman
Barclay Forrest OBE – Non-Executive Director
Peter Davidson – Non-Executive Director

Contact

D1 Oils plc
Forty Foot Road
Middlesbrough
Cleveland
TS2 1HG
Tel: 01642-755580
Fax: 01642-755589

Website: <http://www.d1plc.com/>

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Contact EnviroDaq

Envirodaq is an initiative of The UK Centre for Economic and Environmental Development (UK CEED), an independent, entrepreneurial research foundation. 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. For more information on EnviroDaq 50 contact me as below.

EnviroDaq, a newly launched index and newsletter, is now looking for support, sponsorship or advertising. If this is of interest to your organisation then please feel free to contact us.

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s.chiva@ukceed.org

Tel: 01733 312 280

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About 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. [Top](#)

If you do not wish to receive these mailings, or you know of someone we should add, please [click here](#) or phone 01733 312280.