



Media release

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Bank Sarasin Sustainability Research: India – a booming market for solar and wind energy

In its role as a key driver of global economic growth, India is heavily dependent on a secure energy supply. Imported fossil fuels have dominated the energy mix in the past, but this is about to change: the Indian government wants to tackle the existing shortfall in the energy supply and satisfy soaring energy demand increasingly through renewable energies from domestic sources. This target opens up new opportunities for Indian manufacturers of wind and solar technologies. The companies that could benefit from this trend are highlighted in the latest sustainability study from Bank Sarasin, “Renewable energies 2010”.

In the years ahead India will develop into an important market for renewable energies. At times of peak load, there is already a 12% power deficit, and over 300 million people in India have no access to electricity. The Indian government has set itself the target of producing around 20% of its energy requirements from renewable sources by 2020. In the national budget for 2010-11, economic development measures for clean technologies worth around USD 1 billion are envisaged. In FY 2009 newly installed capacity for renewables was 2.33 GW in India, bringing total green energy capacities to 16.8 GW. India is concentrating mainly on solar and wind energy.

Solar energy: dynamic growth rates

Solar energy, too, has a bright future in India thanks to generous sunshine and government subsidy measures. According to Bank Sarasin’s forecasts, the installation of solar panels in India will increase at an annual growth rate of 100% between 2010 and 2012 – proceeding from a comparatively low base. Small, off-grid PV systems (solar home systems) will play a role here too. As prices continue to fall, these systems will become affordable for the rural population which often has no access to the main grid. Examples of companies which will participate in the success of solar energy include Moser Baer, a leading Indian technology company which also produces solar cells, along with Tata BP Solar, a joint venture between the Tata Power Company and BP Solar.

Wind energy: only a quarter utilised

In terms of wind energy, only a quarter of its potential is being utilised. India’s total wind energy capacity is 11 GW, making it the world’s fifth biggest producer of wind power. The expectation is that by 2030, 15% of India’s energy requirements will be met by wind energy. The Indian wind turbine manufacturer Suzlon will benefit from this, with a 12% share of the global market and 50% of the Indian market.

Reduction in greenhouse gas emissions

“The existing shortfall in the energy supply and soaring demand for energy make India an attractive market for renewables over the next 20 years. The Indian government has seen the sign of the times: it not only plans to meet 20% of its total energy needs with renewables by 2020, but aims to reduce greenhouse gases as well. The greenhouse effect is a highly relevant topic for India, as according to a number of different forecasts, the country will be affected by it more than most. By setting such clear goals, India could become a role model for other developing countries.” – Matthias Fawer, Sustainability Research, Bank Sarasin & Co. Ltd

Prospects intact for investors

The long-term prospects are still intact for the investor. Share prices – especially of companies in the mature wind and solar industries – will however increasingly fall into line with general stock market performance in the years ahead. When selecting renewable energy stocks in future, it will become increasingly important to pick out the promising technologies, without overlooking the potential risks.

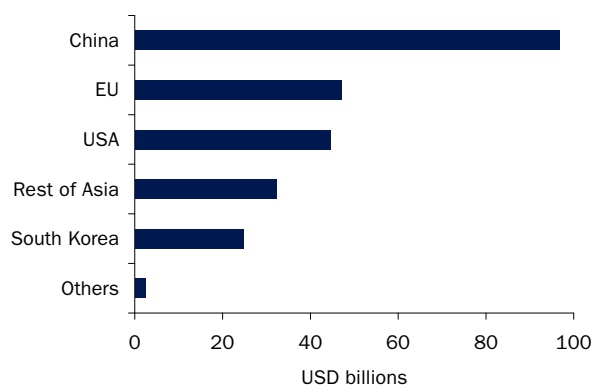
What is Sarasin’s understanding of sustainability as practised in business?

Sarasin defines sustainability in business as the socially responsible production of goods and services with maximum resource efficiency using production methods with a low potential for conflict.

China, EU, USA & Co. banking on green stimulus packages

China is also increasingly focusing its attention on renewables. In particular Chinese companies are benefiting from the "green stimulus packages" that other national governments are introducing as part of this trend. Since Bank Sarasin’s last sustainability study, these packages have grown in volume to represent a total investment of USD 521 billion. Sarasin estimates that roughly USD 82 billion, or just 16% of the total amount, was spent in 2009, as a result of which spending may rise to around USD 248 billion (48% of the total amount) in 2010.

Fig.: Spending on green stimulus packages in 2010



Sources: Governments, Bank Sarasin, March 2010

China accounts for the lion’s share of the total at 39%, followed by the EU (19%) and the USA (18%) (see Fig.). There will still be USD 146 billion available for green infrastructure projects worldwide in 2011 and around USD 28 billion available in 2012. China’s new 10-year clean energy plan aims to use carbon-neutral sources for 15% of energy consumption by 2020, requiring the construction of 250 to 300 GW of hydro, nuclear, solar and wind power capacity.

Sustainability study “Renewable energies 2010” now available

Renewable energy trends in India and China are one of the topics examined in the recently published study “Renewable energies: evolving from a niche to a mass market” by Bank Sarasin (author: Matthias Fawer). This study provides an in-depth and critical survey of the current status of renewable energies and highlights the different aspects that need to be taken into account for sustainable asset management purposes. Copies of the report are available in German or English for a copyright fee of CHF 50 / EUR 35 (or free to clients and the press) from: gabriela.pace@sarasin.ch

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