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<http://www.climatespectator.com.au/commentary/can-green-stocks-get-back-black>

Can green stocks get back in the black?

If you draw a graph for the share price in geothermal hopeful Geodynamics since last Tuesday, you'd be tempted to reach the conclusion that it is in the midst of a mini market boom.

The stock has more than doubled in price to 28.5c in the past week, gaining 27 per cent on Monday alone. It experienced a similar but longer lasting surge in its share price four years ago. Sadly for the cleantech market, and renewable stocks in particular, such positive news has been a rarity in recent years.

Geodynamics is merely bouncing off a record low of 12c, after reassuring the market last week it has enough money to meet its capital needs. But it still remains at less than half its peak of the last financial year, and a fraction of its value of more than \$2 in late 2007. It is a similar story for its geothermal peers, and for the few other renewable energy specialists that join it on the ASX.

So far in calendar 2010, the renewable energy component of the AltexAustralia index is down 17.2 per cent, and this follows a 56 per cent slump in 2010. The broader Australian Cleantech Index closed the financial year last Thursday with an 8.1 per cent fall over the last 12 months, taking its cumulative losses over the last three years to 61.7 per cent.

It's been four years since the Australian Cleantech Index has delivered a positive return. That is not what would have been expected when the Labor Party was elected in 2007, with their promise of a carbon price and a renewable energy target. In fact, it's been all downhill for cleantech stocks since then – thanks to a devastating mixture of muddled policy making, the GFC, an aversion to risk where investors show little patience in working through the challenges that companies such as Geodynamics have faced.

It is now clear that the sector was overbought in those heady days in 2007, but the RET has failed to generate a strong enough signal for the build out of renewables, and it's yet to be seen if the carbon price will deliver a strong enough signal to underpin interest in the sector.

And, of course, the GFC delivered a body blow to the cleantech market on a global scale, as investors and lenders dumped investments with a higher risk profile and the price of credit rose. The international WilderHill New Energy Global Innovation Index (NEX) is down 47 per cent over the last three years, although the amount of public and private sector investment that has flowed into the sector in the past year has helped it post a 13 per cent gain in fiscal 2010/11.

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