

The Cleantech Revolution

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New Report concludes that clean technology ("Cleantech") is on the cusp of transforming practically every business sector. Those who fail to face the challenge and indeed turn this into an opportunity, risk falling by the wayside

'Cleantech, the Impact on Key Sectors in Europe,' was commissioned by the leading European legal services providers CMS from independent consultants Oxford Analytica. The Report finds that the economic downturn has not derailed the development of Cleantech, only temporarily shifting its focus toward public policy issues and that Cleantech provides a necessary future-proofing of the leading economies beyond the financial crisis. In particular, the Report examines the way Cleantech will develop in four key sectors each of which are on the front-line of today's issues, namely (1) damage to the planet, including climate change, (2) energy security, (3) commodities, food and water security and (4) huge population growth and longevity.

-Personal and Freight Transport-. Transport is estimated to be responsible for about 25% of European CO2 emissions and to account for approximately 71% of oil consumed in the EU. The economic downturn represents an opportunity for car manufacturers to rise to the challenge of more energy efficient vehicles better aligned with public policy objectives. There will be a shift towards internalising the external costs (CO2 and particulate matter) to users and manufacturers, e.g. in congestion or emissions charging, with IT systems focusing on logistics and information delivery and intelligent traffic systems becoming prevalent. Transportation solutions based on natural gas, biofuels, hydrogen, hybrid and/or electric systems will continue to grow.

-Real Estate and Construction-. This sector is likely to see considerable change. For instance, energy use in building accounts is estimated to account, globally, for 33% of manmade greenhouse gas emissions globally. Not surprisingly, if this sector is the root of such a large portion of the problem, so too can it be the root of a large portion of the solution. To rise to the challenge of climate change, water use and various other issues, the built environment is likely to be entirely shifted toward an overriding sustainability objective. There is a need to consider lifecycle costing in a way that is new to the real estate sector, but relatively common in infrastructure projects. Beyond new build, the real opportunity lies in unlocking the enormous savings that can be achieved in retrofitting, and for policy makers and the real estate sector a priority should be to develop a financial model to incentivise developers and landlords (rather than the consumer facing end of this sector, i.e. tenants and occupiers).

-Agrichemicals and Water Management-. Beyond improved efficiency in water management, flood irrigation systems, salinisation issues, and wastewater reclamation technologies, there are also novel innovations in the management of food production waste, biocomposites, methane mitigation, GM-enzyme waste decomposition and carbon sequestration are all future growth areas. The regulatory framework is taking

shape (with the EU Water Framework and EU REACH Directives being flagship pieces of legislation) and for these sectors there is a need to respond to the EU's enormous ambitions in this area while remaining financially and globally competitive.

-Waste Management-. Rapid progress is taking place in the fields of gasification, pyrolysis, and anaerobic digestion. Companies employing a range of clean technologies to restore grey water and even restore to potable quality water industrial or municipal wastewater. Improvements in collecting data on waste movements via the internet could significantly improve efficiency. The concept of producer responsibility continues to gain prominence. Electrical and electronic waste is one of the fastest growing waste sources, and this stream of waste is captured by producer responsibility principle.

The Report highlights the central role that European regulation and policy is playing in the development of Cleantech, and the direct impact that CO2 reduction targets, and the Kyoto Protocol is already having on businesses.

"What is happening now with Cleantech is the beginning of something similar to the IT revolution, if not the Industrial revolution", says Paul Sheridan, Partner and Head of Cleantech at CMS in the UK. "Businesses that seek to face the future with eyes wide open, however daunting and challenging that may be, will be ahead of the game and well able to adapt and prosper in the new business environment."

Munir Hassan, Head of Clean Energy at CMS in the UK, also notes that, "Cleantech has been a frontline issue for the Energy Sector for many years. It is now spreading in importance to all other industry sectors."

The report also found that:

-Cleantech will have implications for businesses in relation to regulatory shifts, procurement decisions, reputational risks, lobbying needs, lifecycle costing and responsibility, investment opportunities, technology transfer and up-grading IT.

-Policy and regulation, commodity prices, the economic downturn and stakeholder attitudes are the megadrivers accelerating take up of Cleantech. Production reductions as a result of the economic downturn will raise commodity prices, providing renewed incentive to turn to Cleantech.

-Parallels with the Great Depression; new technologies that had previously been marginalised were commercialised and helped aid economic recovery.

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Notes to editors: Clean technology ('Cleantech') is designed to address environment issues or to lessen the impact of current products or services on the environment.

CMS is the pre-eminent provider of legal services in Europe, with approximately 4,600 employees in 54 offices across Europe and within 28 different jurisdictions.

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