



Press Release – for immediate use



Clean energy index closes 2006 up 33%

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The WilderHill New Energy Global Innovation index (ticker NEX) of quoted clean energy companies powered ahead in 2006, ending the year up 33.3% at 288.25. The top sector was wind, up by 65.0%, followed by Biofuels, Biomass and Waste-to-Energy, up 60.7%. The weakest sector was Hydrogen & Fuel Cells, down 12.3%. The ‘Kyoto Effect’, first documented by New Energy Finance in 2005, continues, with quoted clean energy companies based in countries which have ratified the Protocol outperforming those based in non-ratifying countries by 41.3%.

The performance of the NEX during 2006 was driven by the continuing strong fundamentals of the clean energy industry. Energy prices remained near to historic highs, despite easing in the second half of the year. Another driver was the increased political support for renewable energy from sources as diverse as the US – where President Bush started the year by declaring that his country was “addicted to oil” – and China, whose 11th 5-year plan called for a cut in energy intensity per unit of GDP of 20% by 2010. In Europe, the publication of the Stern Report, which outlined that it was cheaper to deal with climate change now than to deal with it later, cemented the consensus that action on global warming was well overdue.

This strong political support translated into a number of important legislative developments, including China’s first Renewable Energy Law, under which it plans to spend \$180bn on renewables by 2020 – New Energy Finance believes the figure will have to be \$270bn to hit NDRC targets – and California’s \$3.2bn ‘Million Solar Roofs’ initiative. The climate of fear over energy security deepened as Russia openly used its energy resources as a political weapon and instability continued unabated in the Middle East, not just in Iraq but also in Lebanon, while Iran remained a maverick force in the region.

The 33.3% gain in the NEX came in spite of a substantial mid-year correction in which it lost 25% of its value in a month, having surged 44% from the beginning of the year to a record high of 310.36 on 8 May 2006. The NEX’s rise is all the more impressive when measured against overall market performance: the NASDAQ Composite ended 9.5% up on the year, while the S&P 500 gained 13.6%. Even the AMEX Oil, boosted by record high oil prices in the middle of the year, lagged the NEX, despite its 20.5% increase. The NEX’s 2006 performance comes after three years in which it has averaged gains of 29.3% per annum.

Gains during 2006 were led by the Wind sector, which leapt by 65.0%, followed by Biofuels, Biomass & Waste-to-Energy, which was up 60.7%. Wind benefited from the perception that it is approaching maturity and is now close to being cost-competitive with fossil fuels, as well as the prolongation of the vital US Federal Production Tax Credit, which was pushed out from the end of 2007 to the end of 2008. Biggest gainers in the sector, however, were European turbine companies, such as Nordex of Germany (up 172.4%), bouncing back from its rescue and restructure in 2005, and Vestas of Denmark (130.7%), recovering from a difficult period after its acquisition of NEG-Micon and the perception that its worst gearbox problems are behind it.

Biofuels, Biomass & Waste-to-Energy, meanwhile, saw a surge in investment and positive investor sentiment after President George W. Bush suggested cellulosic ethanol as one of the solutions to the US’s energy security problems. But it was Abengoa, the Madrid-listed power company that saw the biggest gains of those companies that have been NEX constituents throughout 2006, rising 124.2%, while Cosan, the Brazilian sugar and ethanol group, saw gains of 97.5%.

After a number of years of spectacular growth, Solar had a quieter year, dominated by the world shortage of solar-grade silicon, ending up 27.3%. Winners were companies that were able to secure supplies, such as Conergy, the Frankfurt-listed solar system integrator, which rose 79.1%, or those that producing silicon feedstock or wafers, such as MEMC Electronic Materials, the US silicon wafer manufacturer, which saw its shares leap by 76.5%. SolarWorld, the Frankfurt-listed German integrated PV manufacturer, gained 69.1% and Q-Cells, the XETRA-traded solar cell maker, was 39.0% higher. US-based Evergreen Solar, the NASDAQ-traded solar wafer and cell maker, lost 28.9% as losses widened and Emcore, the US semiconductor solutions developer, suffered from allegations over stock options and lost 25.5% respectively.

While the Services & Suppliers sector contained one of the biggest risers of the year in Zoltek, the US-based carbon fibre manufacturer (up 124.0%), the sector as a whole finished a relatively restrained 19.8% higher. Generation Efficiency & Smart Distribution saw volatile activity in 2006, with strong gains of companies such as Bharat Heavy Electricals, the Indian manufacturing firm (65.8% higher), Baldor Electric, the NYSE-listed US energy-saving industrial electric motors manufacturer (30.3%) and American Superconductor, the NASDAQ-listed US superconductor manufacturer (24.7%) offset by heavy falls in the stock prices of companies such as Capstone Turbine, the NASDAQ-listed US microturbine energy systems manufacturer, whose shares fell 58.5% and Distributed Energy Systems, the US fuel cell and distributed power system holding company, which was 52.5% lower. The sector as a whole rose just 2.3%.

Power Storage was virtually static, edging up just 0.4%, despite the 149.4% increase in the shares of Byd, the Hong Kong-listed battery maker. Its gains were offset by the woes of Sanyo Electric, the Japanese electric appliance manufacturer, which lost 53% of its market capitalisation. Demand-side Saving fell 9.0% and saw China Energy Savings Technology and Railpower Technologies leave the index, which offset the gains of companies such as Avista, the NYSE-listed energy holding company, which gained 42.9%. But the worst-performing sector was Hydrogen & Fuel Cells, which saw investor sentiment turn against it, leading to fall of 12.3% over the course of the year. Hydrogenics, the NASDAQ-traded Canadian hydrogen and fuel cell system developer, saw one of the biggest falls, losing 57.9% of its market capitalisation.

One notable feature of the NEX in 2006 was the significant 'Kyoto Effect' – the gap between the performance of companies based in countries which have ratified the Kyoto Protocol and those based in countries which have not. The Kyoto-ratifying group of companies were up 49.4% in 2006, while those based in countries which have not ratified were up only 8.1%, giving a total 'Kyoto Effect' of 41.3%. In 2005 the 'Kyoto Effect' on quoted companies was 68.0%, giving a total two-year Kyoto effect of a striking 137.4%. The index started 2006 with 48 Kyoto companies and 39 non-Kyoto, but 2007 will start with 52 Kyoto companies and 34 non-Kyoto groups, as a result of the quarterly rebalancing.

There were some notable additions to the NEX in 2006, including Solon, the Frankfurt-listed German solar system integrator, Sunways, the Frankfurt-listed solar cell and module manufacturer, REC, the Norwegian crystalline silicon PV cell maker and Wacker, the German chemical company in the solar sector; REpower Systems, the German wind turbine manufacturer and a number of biofuels companies, including VeraSun, Aventine, Diversa and Praj, the Mumbai and National Stock Exchange of India-traded bioethanol equipment provider.

For the first quarter of 2007, the index welcomes the following companies – Anhui BBKA Biochem, a Chinese bioethanol producer; BMWK FMB Energy, a Swiss energy company that is active in the solar, wind, biofuel, hydroelectricity and nuclear sectors; Brasil Ecodiesel, a recently-listed Brazilian biodiesel producer and project developer; Cropenergies, the bioethanol division of German sugar producer Suedzucker which listed on the Frankfurt stock exchange in October; EDF Energies Nouvelles, the former wind project development arm of EDF that debuted spectacularly on Euronext in November; recent Nasdaq debutant and US thin-film PV cell manufacturer, First Solar; Techem, the German smart metering group; Theolia, the French wind project developer; Verbio, the German biodiesel and bioethanol producer and Verbund, the Austrian hydroelectric asset owner and electricity company.

About New Energy Finance:

New Energy Finance is a specialist provider of analysis to the world's leading investors in renewable energy, biofuels, low-carbon technologies and the carbon markets. The company's research staff of 45 (based in London, Washington, New York, Beijing, Shanghai, New Delhi and Perth) tracks deal flow in venture capital, private equity, M&A, public markets and asset finance around the world.

New Energy Finance covers all sectors of clean energy: renewables (wind, solar, marine, geothermal, mini-hydro); biomass & biofuels; energy architecture (supply- and demand-side efficiency, smart distribution, power storage, carbon capture & sequestration); hydrogen & fuel cells; carbon markets and services.

Services include the New Energy Finance Briefing, New Energy Finance Desktop, Newswatch daily news service and Focus Reports on sectors and countries. New Energy Finance co-publishes the world's first global clean energy market index, the WilderHill New Energy Global Innovation Index (ticker symbol NEX, calculation agent the American Stock Exchange). New Energy Finance is currently launching subscription-based Insight Services providing deep market analysis to investors in Wind, Biofuels and China. The company also undertakes bespoke research and consultancy, and runs senior-level networking events.

New Carbon Finance, a division of the company, provides analysis and price forecasting for the European and global carbon markets.

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