

Climate Change Update

Q2 2009

OLSWANG



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(see page 2)

"Copenhagen is widely recognised as the last chance to devise a successor to the Kyoto Protocol if it is to be implemented in time for Kyoto's expiry in 2012."

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"CRC will affect large organisations in both the public and private sector."

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"Energy audits could well be the solution that many organisations need in order to reduce their costs year on year, as well as their environmental impact."

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"Cleantech is better placed than other sectors in light of the global economic downturn."

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Editorial

Which comes first, profit or planet? This was one of the questions of the recent 2009 Olswang Cleantech Confidence Monitor. In some the question raised passions with one respondent commenting: "how dare you ask such a question and force me to choose between the two, as if they were mutually exclusive?". Despite this, the distressing observation is that for many companies sustainability is still seen as an optional extra and not an essential component for a robust business model. Perhaps the starkest illustration of this came from recent publicity surrounding the launch of the documentary "The End of the Line". Attention focused on restaurants that continue to include endangered blue-fin tuna on their menus; one responding by alerting customers to the fact that the fish was endangered, but still making it available for them to order from their menu.

Fortunately, in a broad range of industries, the big players have been aware of the critical importance of embedding sustainable policies in their businesses for some time. To protect relationships with increasingly informed consumers, to secure supplies for future business and of course to act out of a sense of leadership and civic responsibility. For them, the voluntary market for sustainability is alive and well. Legislators are not too far behind; the introduction of the Carbon Reduction Commitment in the UK will go a long way to providing the public with a transparent means of seeing how the top 5000 companies are performing in reducing their carbon footprint. So it's not just a financial penalty that hits those that incorrectly regard the scheme as a mandatory tax, but a reputational one as well.

The response of the US legislators seems to be gathering real momentum, with President Obama's rhetoric translating into legislative progress as the Waxman-Markey Bill passes through the House of Representatives. It seems that cap-and-trade may really become a business reality for US Inc. after all. Combining the voluntary drive for sustainability in the world's most powerful free market economy with a meaningful legislative structure may be the single most important driving force towards a permanent commitment to sustainability in the West, leaving the developing nations with little alternative but to follow suit if their export markets are to remain open to them.

The respondent to our survey hit the nail on the head. The question is outdated; times have moved on; we shouldn't really be asking it. But not all industries have responded yet to the sustainability challenge. Even if the legislators don't force them to do so, their customers and so their business models may well do so in the end. The question is - will it be too late?

Recent developments in the global carbon markets – the future of cap and trade

On 1 June 2009, delegates from the majority of the developed nations commenced two weeks of intensive negotiations in Bonn, directed at furthering the aim of producing a draft global warming treaty to replace the Kyoto Protocol. Those discussions will culminate in the Copenhagen meeting in December 2009 when a new treaty is scheduled to be adopted. As part of this process, the steps being taken by individual states directed at reducing, or encouraging the reduction of, emissions will come under close scrutiny.

Meanwhile, the US House of Representatives voted to pass the Waxman-Markey Bill (the Clean Energy and Security Act HR2454) on 26 June. Described as a "*legislative proposal to establish a national renewable energy standard and an economy-wide cap-and-trade programme*"¹, it seeks to achieve emissions reductions in the US by 17% (from 2005 levels) by 2020 and by 83% by 2050. It would introduce a cap-and-trade system; require energy suppliers to generate 15% of power from renewable sources by 2020; and set new efficiency standards for buildings, lighting and industry. The bill must now pass through a Senate vote, expected this autumn.

However, the debate about the benefits of the cap-and-trade system still continues on a global basis. In the EU, the most well established emissions trading scheme (the EU ETS) continues to give rise to ferocious debate about its relative merits. At a recent meeting of the Government Committee on Climate Change, the managing director of new nuclear build at EDF Energy criticised the EU ETS for its lack of certainty as regards pricing and the inherent lack of stability in the market and expressed the view that the UK's target of 80% reduction in emissions by 2020 would not be met without certainty as to the price of carbon. The price of carbon reached a high of €31 in 2008, then fell as low as around €8 in February 2009. Others have called for a "floor price" to increase certainty and there has also been an ongoing debate about the auctioning of allowances, the addition of new industries (most notably the airline industry) and the impact of non-included industries (shipping) and whether or not account should be taken of emissions generated in countries not part of the scheme in manufacturing goods which are then imported into participant states.

Likewise in the US, notwithstanding the passage through the House of representations of the Waxman-Markey Bill, opposition to cap-and-trade remains vocal. Republican leaders in the House recently unveiled a "market based" alternative bill describing cap-and-trade as an "additional cost burden on carbon based energy" and it remains to be seen how the Senate will react.

Debate continues as to whether cap-and-trade is the best way of encouraging businesses to reduce their emissions, or whether a carbon tax, whereby businesses simply "pay to pollute", is a better means to proceed. A tax may be considered more appropriate because it contains a degree of certainty and avoids the price volatility that has plagued cap-and-trade systems. It also has an attraction to governments because it generates revenues and can be admitted through existing tax collection mechanisms. On the other hand, the cap-and-trade scheme is market based and avoids the political issues surrounding the increasing overall tax burden on recession hit business.

¹ State and Trends of the Carbon Market 2009 – report produced by the World Bank.

In a report published in March of this year, PricewaterhouseCoopers advocated the adoption of a "hybrid trading scheme" with price ceilings and floors to increase predictability of price. Such hybrid approaches have also been considered in the US in the discussions surrounding the Waxman-Markey Bill.

The flaws in cap-and-trade systems have also delayed efforts by other countries who are seeking to adopt cap-and-trade as a mechanism towards reducing their emissions. In Australia, an emissions trading scheme (the "CPRS") was proposed and was close to being adopted, until, due to political pressure, in early May 2009, the prime minister announced a year's delay until 1 July 2011 and made further concessions. Interestingly pressure came from both industry, complaining about the cost of such a scheme in a time of economic downturn, and from those of the view that the principal scheme did not go far enough.

In Japan and New Zealand, trial schemes have met with mixed results. New Zealand passed a bill implementing an emissions trading scheme in September 2008, but suspended it again in November 2008. In Japan, a trial domestic scheme started in October 2008, with limited voluntary participation but it remains to be seen whether this will be extended in due course.

The only certainty to emerge from all of the above is that there is no overall consensus as to the best way to incentivise and achieve emissions reductions, although the successful passage of the Waxman-Markey Bill through the House of Representatives has given a major boost to the cap-and-trade side of the argument. While the UNFCCC negotiators remain steadfast in their intention to promote emission reductions and to put in place ambitious targets for UN members to do so, the many conflicting business, political and economic interests involved invariably mean that the regulatory framework, with which businesses across the globe will have to comply, remains uncertain, making forecasting and business planning a difficult task.

Global preparations for Copenhagen

The United Nations Climate Change Conference 2009 will take place in Copenhagen in December. With over 15,000 officials and journalists from almost 200 countries expected to attend, the conference will be watched with international interest. The need for agreement is clear: Copenhagen is widely recognised as the last chance to devise a successor to the Kyoto Protocol if it is to be implemented in time for Kyoto's expiry in 2012.

Key issues

The four critical issues to be agreed at Copenhagen have been outlined by Yvo de Boer, the executive secretary of the United Nations Framework Convention on Climate Change (UNFCCC) as follows:

- by how much are industrialised nations willing to reduce emissions?
- how much are major developing countries willing to do to limit the growth of their emissions?
- how is the help needed by developing countries to be financed?
- how will that money be managed?

De Boer recognises that it is unrealistic to expect all the minutiae to be refined at Copenhagen but believes that agreement on the above points is essential to provide the clarity the world, particularly the business world, needs.

The UK position

Ed Miliband, Britain's Energy and Climate Change Secretary, believes that the wealthy industrialised nations need to recognise their responsibility "to do more than 50 per cent" in achieving the EU's goal to halve global emissions by 2050. The developing countries must also commit to limiting the growth of their emissions, although to what extent they will be willing to do so remains to be seen.

However, the crucial challenge in Miliband's view will be devising the financial framework to support developing countries at a time when the world is experiencing a recession. One solution, he proposes, is to develop "programmatic approaches" rather than the project-based approaches which have been employed in the past. This would involve countries devising development plans into which they can incorporate their own targets and priorities.

Targets though, will need to be measured and enforced. A recent report commissioned by the Department for International Development has stressed the importance of establishing more powerful surveillance and enforcement mechanisms than those under Kyoto. It warns that the possibility of corruption by officials and in the carbon markets will need to be addressed to prevent it hindering Copenhagen's success. However, the report does not constitute government opinion and it is not clear whether this suggestion will be proposed at the conference.

A European perspective

The EU's primary objective is to limit the global average temperature rise to less than 2°C above the pre-industrial level. The European Commission (the "Commission") has put forward its proposals for Copenhagen to the European Council, European Parliament and EU consultative bodies.

The Commission has called for developed countries to take the lead at Copenhagen. The EU has already committed to a reduction in emissions of 30 per cent of 1990 levels provided that other developed countries do the same. All EU Member States, EU candidate countries and OECD (Organisation for Economic Cooperation and Development) countries will be expected to introduce targets. All but the poorest developing countries should limit their emissions growth to a collective level of between 15-30 per cent below "business as usual" levels by 2020.

The Commission has also called for an OECD-wide carbon market by 2015, to be established by linking the EU Emissions Trading Scheme with other cap-and-trade systems. The major emerging economies should be included by 2020 to further the creation of a global carbon market.

US engagement?

It has become clear that the international community and specifically developing nations such as China and India, are expecting to see serious legislative attempts by the US to put in place a plan to cut carbon emissions. As Copenhagen quickly approaches, the pressure on President Obama to reinforce his rhetoric with action will only increase. The last few weeks have however seen a rush of activity as the American Clean Energy and Security Act 2009 was voted through the House of Representatives, albeit with some significant concessions that led to 44 Democrats voting against it, considering it too watered down.

Its passage through Senate is by no means certain. Nonetheless, it is hoped that the bill goes far enough to convince nations like China genuinely to partake in negotiations at Copenhagen. A co-author of the bill stated that "President Obama has made it clear that he wants to go to Copenhagen as the leader and not the laggard, which we have been over the last eight years".

When speaking at the recent Olswang Cleantech Forum, Jock Whittlesey (Counselor for Environment, Science, Technology and Health (ESTH) at the US Embassy in London) noted the importance of the progress of this bill to US preparations for Copenhagen. He felt that legislation need not be finalised before the conference, but that how far the bill had advanced would have repercussions for the US position in December. He also noted that the Senate would need to be prepared to sign off on whatever agreement was reached at Copenhagen, so that the problems of Kyoto would not be replicated.

Should the US manage to arrive at a domestic solution on carbon reduction, it is the fractious relationship between the US and China on this issue which, if not resolved, could result in failure to reach an agreement in Copenhagen. Here the problem is a question of "burden sharing" between the developed and developing world, a problem that is most clearly visible in the relationship between the world's two biggest polluters.

The Developing World

China has recently overtaken the US as the world's largest emitter of carbon dioxide. However, when measured on a per capita basis, and when considered historically, the US severely outweighs China. These facts, the theme of which is applicable to all developed and developing countries, lie at the root of the global dispute.

Industrialised countries, most specifically the US, do not want to commit to reducing their carbon emissions by large amounts (China most recently suggesting a radical reduction commitment of 40 per cent below 1990 levels by 2020), or to funding reduction schemes in poorer countries, without some form of commitment by such developing countries to limit the growth of their own emissions.

This does not sit well with the developing countries for a variety of reasons. In its policy statement on the matter, China maintains that the reductions it has called for are based on the principles of 'historical responsibility and fairness'. China has followed the consistent official line that as the historical cause of climate change, the industrialised countries have a responsibility to lead the way in the creation of a solution to the problem.

India has followed suit on this issue and has recently demanded pledges of financial support from industrialised nations before the issue of limiting emissions will be discussed. Shyam Saran, the special envoy on climate change to the Indian Prime Minister, has stated that the suggestion of developing countries limiting their emissions "should not be divorced from what financial support is available".

It is widely recognised by the international community that countries such as China and India need to maintain growth in order to eradicate poverty in their own countries and therefore any global agreement on carbon reduction will face pressure to bow to this objective. That is not to say that developing countries are not taking the threat posed by climate change seriously. Both China and India have established their own policies on the issue and recent times have seen China appear at the negotiating table with the UK, the EU and even the US. But despite optimism that China was moving towards an early form of agreement with the developed nations, its latest demands have not been welcomed. China has again reinforced its position that any curb on emissions by developing nations should be voluntary, and that rich countries should commit at least 1 per cent of their annual gross domestic product to helping poorer countries cut their emissions.

The other major problem China has on this issue with the developed world is that of carbon outsourcing. China wants industrialised nations to take responsibility for the carbon emissions created by the manufacturing of goods in the developing world which are then exported to developed countries.

Carbon emissions are currently allocated to the country where they are produced, and on this basis the UK has reduced emissions by approximately 18 per cent since 1990. However, according to research published by the Stockholm Environment Institute, if those imports manufactured abroad and the requisite international transport are accounted for, then the UK is in fact accountable for a rise in emissions of more than 20 per cent over the same period. To place this in context for China, a report on this matter published by the Oslo Centre for International Climate and Environmental Research notes that out of China's total emissions, approximately 6 per cent are as a result of producing goods for Europe and around 9 per cent are solely due to goods produced for the US.

Compromise in Copenhagen?

The discussions in Copenhagen can only lead to a successful outcome if both the US and China arrive at the summit willing to reach an agreement. Should these two nations find a middle ground and agree on targets which are ambitious enough to make a real difference, then Copenhagen could kick start a global response to climate change. The EU and the UK in particular, is seen by many as a potential broker of accord and it is hoped that Member States are able to unite the US and China on at least the fundamental issues.

One point of optimism can at least be seen in the recognition by the US that action needs to be taken, regardless of any compromise. The US energy secretary Steven Chu recently stated that "President Obama has made it clear that the US should act first. Using China as a reason not to act is no longer an option." Whether this new proactive attitude and the successful passage of the Waxman-Markey Bill through the House of Representatives will spark life into negotiations come December very much remains to be seen.

Carbon reduction commitment scheme – implications for landlords and tenants

Summary

The property industry is giving serious consideration to the impact of the carbon reduction commitment scheme ("CRC"), particularly in the context of the landlord and tenant relationship. The British Property Federation has recently published a guide, which provides food for thought, in particular, on how landlords may seek to recover the cost of CRC allowances from tenants. While sample lease wording for CRC is not provided in the guide, industry-wide discussions are ongoing about possible drafting to cater for CRC. We will, of course, keep you updated on developments.

Carbon Reduction Commitment Scheme

CRC is a key aspect of the Government's ambitious target to reduce greenhouse gas emissions by 80% by 2050. Over 50% of such emissions in the UK come from the carbon footprint of buildings, which, therefore, provide a key focus for the Government's ambitions. CRC starts in April 2010 and it is a mandatory emissions trading scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO₂) emitted in the UK.

CRC will affect large organisations in both the public and private sector which have at least one half hourly meter (HHM) settled on the half hourly market. The nature of their obligations under CRC will depend on the level of their annual electricity use.

Organisations whose total annual half hourly metered electricity use through all their HHMs in 2008 was at least 6,000 MWh (which will catch businesses with a total annual electricity bill in 2008 of about £500,000 or more) will be treated as a "full participant" in CRC. Such organisations will have to monitor and report on their energy emissions and purchase annual energy use allowances to cover both actual and anticipated annual CO₂ emissions. In general terms, the more CO₂ that an organisation emits, the more allowances it has to purchase, which provides an incentive to reduce emissions.

The first allowances will need to be purchased in April 2011 from the CRC administrator (which is, for England and Wales, the Environment Agency) to cover emissions already made in 2010/2011 and those anticipated for 2011/2012. In subsequent years, allowances will need to be purchased in April to cover emissions in the subsequent 12 months. For the first three years, there will be a fixed price for the allowances of £12/tonne CO₂ emissions. Thereafter, the price may increase as the administrator will sell a fixed quantity of allowances to participants annually by auction. Participants will also be able to buy surplus allowances in the secondary market. Allowances will also have to be surrendered to reflect the amount of CO₂ emissions reported.

All the revenue that is raised from the CRC administrator selling allowances is 'recycled' back to CRC participants. The better an organisation performs in terms of reducing its emissions, the higher it will appear in an annual performance league table that the administrator will publish, showing the comparative performance of all participants. Essentially, the higher an organisation appears in the table, the more recycling payments it will receive from the administrator.

An organisation's electricity use for a particular property is only taken into account for the purpose of CRC where the organisation's name appears on the electricity bill for that property. The reference to "organisation" includes groups of companies, in which situation the total energy emissions of the whole group are taken into account for CRC purposes.

Organisations which have at least one HHM settled on the half hourly market but had a total annual electricity use less than 6,000 MWh in 2008, will have less onerous CRC obligations limited to information disclosure.

Organisations will need to ascertain whether they qualify as a full participant in CRC and, if they do, they will need to register using an online registry between 1 April 2010 and 30 September 2010. There are fines for a failure to register or disclose information.

From September 2009, the CRC administrator will contact all billing addresses for HHMs, providing information about the registration process and information disclosure and, thereby, helping organisations to ascertain the level of their CRC obligations.

The landlord and tenant perspective

Of particular interest to the property industry is the impact of CRC on the landlord and tenant relationship, especially in relation to multi-let buildings where the landlord receives the electricity bill for the building and, therefore, the landlord's energy performance will be affected by the activities of its tenants, with a financial impact for the landlord. In those circumstances, landlords may well wish to receive a financial contribution from their tenants towards the cost of any allowances that landlords have to purchase under CRC. Tenants may also wish to obtain the benefit of any recycling payments received by the landlord.

This may all prove to be very complex to administer, particularly in view of the fact that the energy emissions of an entire group of companies may need to be taken into account, perhaps with a very diverse property portfolio comprising both energy efficient office use and energy inefficient heavy industrial use. Should the tenants of an office building have to pay towards allowances that are being charged because of the industrial use of other tenants in their landlord's portfolio? Landlords will have to ascertain whether they wish to charge the cost of the allowances to their tenants and, if so, how best to apportion the cost between them. Practically, landlords will have to work out the best way of measuring each tenant's energy use to help them with the apportionment process. Landlords may also seek to pass the costs of administering CRC to their tenants.

The British Property Federation (BPF) has produced a guide to assist landlords and tenants in this process. This includes advice on how costs should be apportioned between landlords and tenants, what should happen when a building is bought or sold to/from a party outside the CRC and how landlords can use the CRC recycling payments to make their whole portfolios more energy efficient, for everyone's benefit.

While the guide is very helpful at explaining the complexities of CRC and is a "must-read" for landlords and tenants, it does highlight the uncertainties and potential problems involved with operating CRC in the landlord and tenant context. There are no easy fixes. The guide does not venture to suggest lease drafting to cater for CRC and discussions on this continue. It is also worth remembering that most existing leases will not adequately cater for CRC. It is possible that the structure of CRC may change between now and next April, which may impact on lease drafting.

CRC is a highly admirable but complex scheme, which many thousands of organisations in the UK will have to come to terms with, either directly, as the organisation responsible for buying the allowances, or indirectly, as, for example, the tenant required by its landlord to contribute towards the cost of the allowances.

It will be sensible for all organisations, sooner rather than later, to use the information provided by the Government and the property industry to understand whether the CRC affects them and what they need to do as a consequence. We include links below to further useful information.

We will continue to update you as the development of the CRC progresses.

Link to BPF Guide- <http://www.bpf.org.uk/topics/document/23672/carbon-reduction-commitment-crc---a-guide-for-landlords-and-tenants>

Link to Government's CRC User Guide-

<http://www.defra.gov.uk/environment/climatechange/uk/business/crc/pdf/crc-userguide-090312.pdf>

We have published a client bulletin on the CRC, please [click here](#) to view this document.

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Recession strategy from CEO to ECO

The world is currently in an energy crisis. Scientists predict that existing reserves of coal, oil and natural gas will run out within the next fifty to seventy years if the rate of fossil fuel consumption continues at its present rate. These predictions are based upon assumptions on the levels of known deposits that remain, however no one can really predict how long existing reserves will last, or, most importantly, how much demand will increase. A worst case scenario would inevitably present itself if less economically developed countries started to aspire to US and EU consumption rates, thus potentially reducing the longevity of current reserves to as little as twenty years, and with predictions that global population will increase from the current 6.7 billion to over 9.3 billion by 2050, this could be a reality.

It is clear, however, that whatever statistics you use the results are pretty conclusive. Fossil fuels, which currently provide 95% of the world's total energy demand, may run out, for most of us, within our lifetime and, as a consequence of rising energy demand and the imminent reductions in reserves, energy prices will also continue to rise significantly. This rise in demand for power and natural resources in a period of resource decline has, however, already led to a response from some global organisations who are increasingly linking remuneration and bonus structure to business sustainability performance.

The challenge the planet now faces is the development of alternative energy sources and renewable technology, coupled with a reduction in the current dependence and utilisation of fossil fuelled energy, with the latter being the most feasible and easily implemented short term solution.

Increasing legislation within the UK and the EU has already started to combat energy consumption, and the associated greenhouse gas emissions which are largely responsible for the changing climate we are starting to readily observe. The Climate Change Act of 2008 set out the UK government's impressive legally binding targets to reduce carbon dioxide emissions by 26% by 2020, and greenhouse gas emissions by 80% by 2050 compared to 1990 baseline levels. Given that businesses are estimated to account for approximately 40% of the UK's carbon dioxide emissions, they have been targeted by governments as a key area where reductions *must* be made. As such, legislation including the EU Emissions Trading Scheme (EU ETS) and Carbon Reduction Commitment have already arisen.

The prospect of reducing energy consumption is daunting for most. Organisations who are not currently included within the EU ETS, but whose energy consumption exceeded 6,000 MWh in 2008, will be included within the Carbon Reduction Commitment when it commences next year. However, within these organisations there still remains a great deal of uncertainty on how their emissions can be controlled and reduced. For smaller businesses not initially included within current legislation, there are other significant drivers to cut energy use. Not only will legislation tighten to include these businesses in the future, but consumer, stakeholder and even employee pressure can play a key role. Although, undoubtedly, the major driver for most organisations will be fiscal.

The financial savings that can be achieved by measuring, monitoring and saving energy can be significant, especially during the current economic climate. However, where do businesses even start when it comes to assessing their energy performance? It can be quite an overwhelming challenge. Indeed, there also remains a misconception that in order to save money businesses need to spend money, for example on

innovative energy-saving or renewable technology. In reality, however, many savings can be realised at low or no cost, or by following simple behavioural changes within the workplace.

Before any changes, or implementation of any energy-saving initiatives or technology, are made it is essential to assess the current energy situation of a business, to monitor the level of consumption and equated costs. Maintaining a good record of utility bills will ensure you are aware of monthly and yearly energy costs, however the bills alone will not be able to determine where the largest consumers of energy, and money are, and in order to fully understand the detailed efficiency of a business, a comprehensive energy audit is required.

Energy efficiency audits initially became popular within the UK during the Energy Crisis in the early 1970s. However, as energy prices continue to surge, together with the growing understanding of greenhouse gases and climate change, and the recent economic downturn, these audits have once again become very popular with businesses wanting and needing to reduce their costs and carbon footprint.

What makes them so popular, in addition to the potential financial savings that are almost guaranteed to be identified, is that energy efficiency audits can be undertaken in a bespoke manner for almost any kind of organisation. They can be as simple or as complex as wanted, and can be tailored to specifically focus on lighting, electrical equipment, heating and air conditioning systems, or indeed the entire premises and all energy consuming equipment within it. Furthermore, the audits break down the overall consumption to determine where the biggest losses are being made, and where the consequent savings that can be achieved. Energy audits typically identify potential energy, cost and carbon savings of at least 10%, with specific areas, such as lighting, having potential savings of up to 60% identified at some premises.

The recommendations and 'quick wins' are tailored to each organisation, and consider the ease of implementation and return of investment, providing details of associated upfront costs (if any) that may be required, as well as accurate payback periods. Additionally, the work and time required by the organisation is minimal, with typical audit inspection visits lasting no more than one day per premises.

Given the current economic climate and the energy and carbon legislation that is increasingly being pushed through, energy audits could well be the solution that many organisations need in order to reduce their costs year on year, as well as their environmental impact. In reality it is anticipated that businesses will be forced to utilise and generate energy from alternative sources, and will potentially be required to spend significant money in doing so. However, the focus of organisations within the short term should be to reduce their existing consumption, and prevent energy wastage. Energy audits not only highlight the ways businesses can make these improvements, they also help measure and identify the associated costs and carbon savings that can be generated year on year, as well as providing a verifiable impact and footprint for the organisation. Now that has certainly got to be worth a one-day assessment...

For further information please contact: Katherine Sherwin, Delta-Simons Environmental Consultants Ltd (katherine.sherwin@deltasimons.com)

What's been happening?

2009 Olswang Cleantech Confidence Monitor

The results of the 2009 Olswang Cleantech Confidence Monitor were launched at the third Olswang / Advanced Equities Cleantech Forum on 19 May.

The aim of the survey has been to provide a snapshot of sentiment amongst three respondent categories: innovators, investors and other market participants, active in UK Cleantech markets. The scope of the survey was kept deliberately broad, in order to gain a macro view on confidence levels in the UK Cleantech community. The survey was completed by 104 respondents in total, with some providing their responses in face to face meetings and others participating online. Some of the key themes are highlighted here. For more detail and the final results, please contact Yvonne McMahon at yvonne.mcmahon@olswang.com.

1. Overall Confidence

There is a universal sentiment amongst all three categories that the Cleantech sector is better placed than other sectors in light of the global economic downturn. This view was held particularly forcefully by investors.

Cleantech is better placed than other sectors in light of the global economic downturn

Few believe Cleantech products and services have already become mainstream

Investors and other participants were the most confident that Cleantech had become a recognised brand

83% of Investors considered Cleantech a "significant priority" in the current economic climate

2. Best placed Cleantech and renewable energy sub sectors

Respondents were asked to consider which Cleantech sub sectors and renewable energy sectors would make the biggest impact in the next 5 years and beyond.

Energy Generation Storage, Infrastructure and Efficiency will have the biggest impact in the next 5 years and beyond

Solar and wind were identified as the two top renewable energy sectors by all three categories for the near term. When considering beyond five years, the innovators and investors maintained solar and wind as the top sectors.

Solar and wind were defined as the two top renewable energy sectors by all three respondent categories for the near term

3. The role of regulation

We asked survey participants to consider the role and impact of regulation on Cleantech. Overall, investors were positive about the impact of regulation. Innovators were less positive on current regulation and less clear on the direction of future regulation.

Overall, investors were positive about the impact of current and planned regulation

Innovators were not positive about the impact of current regulation

4. Most important drivers for Cleantech businesses

Respondents were asked to identify the three most important drivers when investing in or developing a Cleantech business or solution. Profit came out on top for investors, closely followed by overall value then the ability to offer an alternative to "dirty" technologies at lower/no additional cost to the end user. Quality of management team also featured highly. Innovators also prioritised profit.

Profit is the most important driver for those investing in or developing a Cleantech business or solution

The information contained in this summary is intended as a general review of the subjects featured and detailed specialist advice should always be taken before taking or refraining from taking any action.

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About Olswang

Olswang is a leading business law firm with a distinctive approach. Our pioneering and problem-solving ethos has established a commanding reputation in the technology, media and real estate sectors, as well as a wide range of other industries.

Founded in 1981, our Firm has grown to a team of over 650, including more than 100 partners, across four European offices. In addition, Olswang has a long-established best friends' network of leading independent law firms throughout the world. In the US, Olswang has a long-standing relationship with Greenberg Traurig LLP, a top 10 US firm with over 1,750 lawyers in over 30 locations.

Our Firm continues to be acknowledged as a leading practice in many of our core areas: Olswang was voted TMT Team of the Year 2009 for the second year running at the annual Legal Business Awards; Olswang's Corporate Group won M&A Law Firm of the Year at the M&A Awards 2008 in conjunction with M&A Magazine, and was named Corporate Team of the Year – Mid markets at The Lawyer Awards 2008.

Resourceful drive and a climate of shared knowledge and empowerment are the hallmarks of our meritocratic, unstuffy culture. For the last five years Olswang has been ranked in The Sunday Times 100 Best Companies to Work For and our strong management team is dedicated to the personal and professional development of our people.

We are committed to encouraging every member of staff to engage in lasting and meaningful pro bono and volunteering activities, both legal and non legal. The time invested by our people through the Firm's HELP Programme to assist those in need is a positive contribution to the community which is reflected in the values and culture of Olswang.

We recruit personalities with a genuine fascination and notable reputation in the sectors they focus on, which is reflected in the quality of our advice. We also understand the importance of achieving our clients' goals and ensure that our advice is, above all else, practical.

From world-class businesses to entrepreneurial startups, the rich diversity of our client base ensures a broader perspective and, as a result, deeper commercial insight. Transactional work is the most obvious feature of the role we perform. However, ongoing non-transactional support is an integral part of our business, and we focus on creating long-term relationships with our clients. We employ a range of proactive initiatives such as client care programmes, secondments, client training and feedback sessions to ensure our client relationships are strong.

At Olswang the passion of our lawyers, the confidence of our approach and the commercial edge to our advice provide a unique and compelling service.

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