

3 green energy stocks on my watch list

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According to Bloomberg New Energy Finance analysts, about US\$9 billion was invested in large wind and solar projects in Australia in 2017, a 150% uplift on 2016. And there is an economic incentive to continue this fast rate of growth – in Australia, as in the US, Spain and Italy, energy generated from solar is already just as cheap to produce as that from coal.

And the average cost of solar energy is forecast to decrease by another 66% by 2040.

Wind will also become more appealing as an energy source. Onshore costs are forecast to fall 47% by 2040 as turbines become more efficient, while offshore costs of energy production could fall by as much as 71% as operators become more experienced and realise greater economies of scale.

Given these economic incentives it makes sense for Bloomberg to anticipate that, of the total US \$10.2 trillion analysts forecast will be spent on new energy generation globally from now until 2040, 72% will be on new solar and wind plants.

Combined with the fact that people are becoming more environmentally-conscious in the era of climate change, these economic drivers could be a boon for Australian green energy providers.

An exciting junior energy company on the ASX worth taking a close look at is Genex Power Ltd (ASX: GNX). Its flagship project is the Kidston Renewable Energy hub, located in Far-North Queensland. Genex has received \$9 million worth of funding for the project from the Australian Renewable Energy Agency, and it is backed by the Queensland Government through a 20-year revenue support deed.

Genex has taken the novel approach of converting an old gold mine into a hydro plant made up of two reservoirs, one located higher than the other, which are connected via a pump.

Not far from the hydro plan is a massive 270MW solar power facility. During times of low energy consumption when not all of the solar energy produced by the facility is required by the national electricity grid, the excess energy is used to pump water from the lower level reservoir into the higher one.

At peak times, when more energy is required by the grid, water is released from the upper reservoir and flows through power-generating turbines back into the lower reservoir. At these times, energy from both the hydro plant and the solar plant is injected into the grid.

Therefore, the hydro plant effectively “stores” excess solar energy for later use. Genex claims that once it is fully operational, the combined solar and hydro plants will be capable of powering 143,014 homes and should bring in at least \$15 million in annual revenues.

Another company with growth potential is Carnegie Clean Energy Ltd (ASX: CCE). It specialises in micro-grid energy projects for island or remote and fringe communities, with a focus on solar and wave-generated energy as well as battery storage facilities.

February has so far been an exciting month for Carnegie. On Feb 8 it announced that its wholly-owned subsidiary Energy Made Clean, in partnership with global construction firm Lendlease Group (ASX: LLC), had been awarded a \$6.8 million contract to deliver a 5MW battery storage facility in Kalbarri in WA. A week later, Energy Made Clean and Lendlease were also awarded a \$7 million contract to build a 5MW solar plant in Newcastle, NSW.

Currently Carnegie isn't turning a profit, but if it can continue to secure new projects at this rate it could be setting itself up for periods of strong growth in years to come.

Finally, Infigen Energy Ltd (ASX: IFN) is also worthy of a place on your watch lists. It operates 6 wind energy sites in SA, as well as an energy storage facility in NSW. However, it also has 9 new wind sites and 8 new solar sites in its development pipeline, though many of these have only reached the early stages in the approval process.

Its second quarter production report was disappointing, with quarterly production generated and sold all well down on the prior comparative period, though total first half 2018 revenue was up 2% versus 1H17 to \$118.2 million.

Foolish takeaway

Although these three local companies are still only speculative bets at present, if Bloomberg's long-term predictions for clean energy demands do materialise, they could be set to benefit. Genex in particular will definitely be worth keeping a close eye on.
