

Press release – 31 May 2011

Confidence in UK cleantech industry fragile and declining despite strong potential for growth

But glimmer of hope as international investors say cleantech is future for UK

London, Monday 30 May 2011: The UK cleantech sector is at risk of failing to deliver on its promise of contributing to significant economic growth and job creation, with countries such as China, South Korea powering ahead with investment in the sector according to the latest quarterly cleantech business confidence survey from Ernst & Young and ecoConnect.

UK cleantech industry confidence eroding

The quarterly study, launched last summer, surveyed 602 UK based corporates, financiers and cleantech companies and found that levels of confidence and optimism in the UK cleantech sectors ability to deliver growth has fallen dramatically over three successive quarters. Just 14% of those surveyed were optimistic that the cleantech sector would deliver significant economic growth and green jobs in the UK, compared to 65% in the previous six months.

Only 39% of those surveyed for the UK business confidence report thought that investment in clean energy and clean technology would increase in 2011 compared to 2010. This compared to 61% in November.

The UK community surveyed also expressed deep doubts about the UK cleantech sectors ability to remain internationally competitive, with optimism on the slide. Only 35% this quarter compared to 65% surveyed in November say they are optimistic about the UK's prospects compared to the rest of the world, with 41% saying they are pessimistic about the UK's competitive position.

Cleantech most likely to stimulate growth in UK in next two years

However, it may not all be doom and gloom. A separate report issued by Ernst & Young last Wednesday (25 May), the European Attractiveness Survey - which analyses inward investment and the attitudes of global investors – has shown that the international business community is far more upbeat about the potential of the UK's cleantech industry.

Although business and software services still lead in the UK both in terms of actual numbers of projects (285 in 2010) and investor perception – cleantech could dominate in the future. 19% of all respondents (see notes to editors) considered that clean technology is an important growth area for the UK market, making it the third most important sector in the eyes of investors, up from tenth in 2009.

However, the success of cleantech is highly reliant on capitalising on government's commitment to being the 'Greenest Government ever. 46% of cleantech companies interviewed as part of the Attractiveness Survey have no intention of expanding their operations in the UK and a further 56% said that the attractiveness of the UK has not changed in the last 12 months. This echoes the sentiments expressed in the ecoConnect report, suggesting a worrying perception gap between those looking to invest in and those already operating in the cleantech industry.

Commentating on the findings of both reports Steve Lang, Ernst & Young's UK Cleantech Leader, says:

UK in hiatus period

- “Despite the outstanding potential the sector holds for the UK, confidence has eroded with each successive government announcement in that period. A prime example cited repeatedly in our survey findings is the significant dilution of feed-in-tariff regime which has not only undermined the market for the UK commercial solar market but also shaken investor confidence in the wider ‘green’ sector in the UK.”
- “We are in a hiatus period where there have been bold announcements, such as the EMR and Green Deal, but as yet no detailed clarity or solid platform for investment. As long as this uncertainty prevails, investors will find other regions more attractive investment destinations. Adding to the market uncertainty is the fact that progress in establishing a Green Investment Bank is slower than needed.”

UK could get left behind and needs urgently to act

- “Compared to the level of ambition, clarity of policy direction and scale of investment being delivered by a number of other countries, the UK is in danger of being left behind. With decisive action and more radical policies and mechanisms to attract investment we can recover our position but time is running out. This market needs urgently to be

stimulated through a combination of financial incentives and public education not only about the growth and job creation potential of this market but also a looming energy security and independence crisis”

- “Even though investor confidence in the UK has taken a hit over the past six months, the cleantech sector as a whole continues to represent a very attractive future market given the global transformation towards low carbon. The priorities to deliver the cleantech market are still vitally important and the UK has a once in a generation opportunity to stimulate this market and position the UK as a leader. The success of the industry is highly reliant on government improving the attractiveness of the UK as a place to do business. There is clearly a major perception gaps between international and UK investors that needs to be addressed as a matter of priority if we want to be a world leader.”

Ends

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About ecoConnect

ecoConnect CIC is a non-profit trade association serving UK green and low carbon industry (cleantech). In it's roles as connections hub, it facilitates investment, networking, collaboration and business support. ecoConnect exists to bring together UK leadership – within cleantech businesses and innovators, corporate users, investment providers and policy makers – to fast-track development of this critical sector.

For more information or to contact visit: <http://eco-connect.org>

About the European Attractiveness Survey

The Ernst & Young's European attractiveness 2010 survey is based on a twofold, original methodology that reflects:

- *The “real” attractiveness of Europe for foreign investors. Our evaluation of the reality of FDI in Europe is based on Ernst & Young's EIM. This unique database tracks FDI projects that have resulted in new facilities and/or the creation of new jobs. By excluding portfolio investments, mergers and acquisitions, it*

shows the reality of investment in manufacturing or services operations by foreign companies across the continent.

- *The “perceived” attractiveness of Europe and its competitors by foreign investors. We define the attractiveness of a location as a combination of image, investors’ confidence and the perception of a country or area’s ability to provide the most competitive benefits for FDI. The field research was conducted by Institut CSA in January and February 2010, via telephone interviews, based on a representative panel of 814 international decision-makers.*