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Clean-Energy Firms Make Pitch to Asia

U.S. Trade Mission Aims to Capitalize On Growing Commitment in China, India

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HONG KONG -- As India and China pledge to spend billions of dollars on renewable energy, the U.S. government is hoping to help American companies cash in on the cleanup of Asia's smoggy skies.

Representatives of more than a dozen U.S. companies, including **General Electric Co.** and **DuPont Co.**, will touch down today in the southern Indian city of Chennai to kick off a one-week trade mission to India and China aimed at drumming up new business for America's burgeoning clean-energy industry.

The companies are selling technology including solar power, energy-efficient building materials, clean coal, wind power and more experimental power sources, such as a gasification technology developed by Utah-based Emery Energy Co. that creates fuel from the organic matter in trash.


The demand for energy alternatives in Asia is creating a substantial business opportunity. The trade mission aims to capitalize on a growing commitment to renewable energy by India and China, as the region's dependence on coal-fired power plants fuels concern about global warming and air pollution.

The Chinese government recently pledged to spend \$200 billion on renewable energy and to make renewable energy account for 15% of the country's total supply by 2020 -- though such allotments are subject to change. The Indian government has made fewer concrete commitments, but the market for renewable energy in India is estimated at \$500 million a year and is growing by 15% annually. The government already provides substantial tax breaks for wind energy, and a wave of proposed state legislation would encourage other "clean tech" industries to make inroads there.

"Either we have a complete environmental collapse, or we have to quickly evolve the entire global economy to a much more energy-efficient, resource-efficient and environmentally conservative model," says Andrew Pidden, who co-manages a \$42 million investment fund focused on the Asian clean-tech sector for CLSA Asia Pacific Markets.

The Commerce Department mission aims to address some of the roadblocks that have made it difficult for U.S. clean-energy companies to crack markets in Asia, including concern over intellectual-property rights. Some American clean-energy companies are reluctant to deploy their most cutting-edge technologies in Asia for fear their know-how will be copied.

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"It's a concern for anybody trying to export advanced and novel technology to markets where they don't have strong regulatory systems around patent issues," says Benjamin Phillips, president of Emery Energy, the Salt Lake City start-up that is marketing a proprietary system that can create a biofuel from the organic waste in municipal garbage. The company aims to help cities in the developing world tackle waste disposal and polluting power sources.

Intellectual-property issues have become a growing source of friction between China and the U.S., which last week said it was filing a complaint with the World Trade Organization over China's level of copyright enforcement.

"We need to make people understand that this is an environmental issue, too," says David Bohigian, assistant commerce secretary, who is meeting with officials in Beijing during the week-long mission. "It's affecting China's ability to clean up coal plants, because...U.S. companies don't want to export their best technology there."

Companies participating in the mission also hope to gauge the depth of the Indian and Chinese governments' commitments to renewable resources to make sure promised support for clean energy materializes.

"Renewable energies tend to prosper in markets where the government provides strong support," says Martin Wenzel, senior vice president of sales and marketing for Miasolé, a Santa Clara, California, solar-power company. "If India and China want to turn these programs on, they've got to make commitments in terms of resources and money."

The participating companies reflect a wide range of industries. DuPont will be showcasing technology such as cellulosic ethanol, which is made from nonfood sources; and Tyvek building wrap, a synthetic textile that can improve the energy efficiency of buildings.

The clean-energy mission is part of a wave of initiatives developed by the U.S. government that seek to harness the forces of the free market to address Asia's environmental problems, creating business opportunities while dealing with global pollution problems. The projects are part of the Asia-Pacific Partnership on Clean Development and Climate, an agreement among six countries -- the U.S., China, India, Japan, Australia and South Korea -- that was organized as an alternative to the Kyoto Protocol.

Commerce Department officials are promoting some novel financing structures to encourage faster adoption of the technologies.

Department officials in Hong Kong, for example, have developed a program dubbed Pollution Prevention and Energy Efficiency, or P2E2, to be fully rolled out later this year. P2E2 aims to help companies in Hong Kong turn profits while cleaning up heavily polluting factories in China. It will ultimately be backed by \$1 billion in funding from the Asian Development Bank and other sources that will grease the wheels by eliminating capital costs for the companies involved.

The basic idea is to match environmental-service companies based in Hong Kong with individual factories in China's Pearl River Delta region, one of the most heavily industrialized -- and most intensely polluting -- places on the planet. The service companies will conduct environmental audits at the factories and then install new energy-efficient technology and machinery to cut both costs and

pollution at the factories. In effect, the Chinese factories will outsource their cleanup to the Hong Kong environmental-service companies.

The trick is that neither party will face any upfront costs or capital investment. The Hong Kong companies will finance their work with loans from the Asian Development Bank and other sources. The factories get the technology free and later pay the environmental-service companies a cut of the cost savings generated by the new technology over a period of years. The Hong Kong companies then pay off the loans and pocket the remainder as profits.

The Commerce Department officials in Hong Kong hope the program will help generate new markets for U.S. clean-tech companies in China. "We can't fund enough regulators or prosecutors to solve Asia's environmental crisis," says Stewart Ballard, chief commercial consul for the U.S. Commercial Service at the American Consulate General Hong Kong and Macau. "We need to start looking at the environment as business opportunity."

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