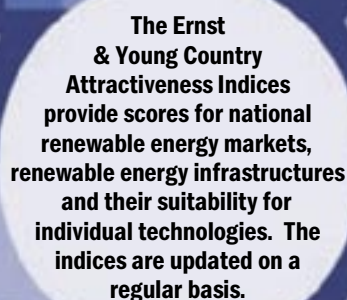


# Renewable Energy Country Attractiveness Indices

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The Ernst & Young Country Attractiveness Indices provide scores for national renewable energy markets, renewable energy infrastructures and their suitability for individual technologies. The indices are updated on a regular basis.

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## Ernst & Young Renewable Energy Group

With a dedicated 20 – strong team of advisors, supported by an international network of specialists, Ernst & Young's Renewable Energy Group helps clients to maximise value from renewable energy activity. The Group provides advice and services in the following areas:

- Financial advisory and valuation
- Financial modelling and structuring
- Structured finance and taxation
- Finance raising
- Asset value optimisation
- M&A
- Market entry strategy

- Procurement strategy
- PPA tendering
- Transaction support
- PE advice
- IPO advice
- Carbon economy advice

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## Comments and Suggestions

We would welcome your comments or suggestions on this index or any other aspect of the Indices.

Tailor made attractiveness surveys and market reports can be provided taking account of specific corporate objectives. Please contact the Renewable Energy Group for further details.

## Highlights

**Spain** still leads the Long-Term All Renewables Index. Ambitious targets for all renewable technologies in the new energy plan will consolidate Spain's position as a world leading renewable energy market. A slight dip in installation rates is expected this year due to grid capacity problems but these are expected to be overcome in the long-term.

The current boom in the **US** onshore wind market has pushed it to the top of the Near-Term Wind Index. The US's place at number two in the Long-Term All Renewables Index shows long-term prospects despite the PTC cycle.

The **UK's** scores have dropped across the Long-Term and Near-Term Indices. Although its relatively high offshore wind score is keeping it in the top 4, the UK has dropped from joint first to third in the Long-Term Wind Index. The offshore wind industry is currently facing a make or break period. Escalating turbine prices and supply shortages, uncertainty over

grid connection costs, and financing difficulties due to ROC price uncertainty beyond 2015 are all challenges that need to be overcome if the UK is to stay in the top 4. In this respect the outcome of the recent ROC consultation with no further extension of target suggested has been disappointing.

**India** has moved up the rankings with high installation rates in onshore wind expected to be sustained. Wind is competitive in India due to high energy prices and the high cost of building conventional plant. With a question mark hanging over the UK and German offshore industries, it is conceivable that India could soon displace one of these markets in the top 4.

The **Netherlands** has moved up the rankings with the announcement of a new offshore tariff. **France** has moved down following a recent tender that gave the go-ahead to only 100MW out of a possible 500MW of offshore wind.

**Ireland's** ReFIT providing a 15 year PPA has been welcomed, although no specific tariff has been set for offshore developments.

## Market Activity

A global turbine shortage due to high demand from the US and bottlenecks in the components supply chain (notably gearboxes and bearings) has been pushing prices up and project timeframes back. Many of the major turbine manufacturers are sold out or short of capacity until 2007/8. This is likely to improve the prospects of medium sized manufacturers.

In a round of M&A activity in the UK offshore pipeline, Elsam have bought into EdF's Burbo Banks project; Warwick have sold a share of the Thanet Round II offshore project to Deutsche Bank; and Norsk Hydro have acquired a 50% stake in Scira (which is developing Sheringham Shoal).

AREVA has acquired a 21.1% stake in RE Power, the German manufacturer.

In the UK energy from waste sector, waste management companies Grondon and Viridor have signed a £180 million joint venture to develop and manage an energy from waste facility near Slough.

# Overview of Indices

The Ernst & Young Country Attractiveness Indices provide scores for national renewable energy markets, renewable energy infrastructures and their suitability for individual technologies. The indices provide scores out of 100 and are updated on a regular basis.

The main indices are referred to as the 'Long-Term Index'. The Near-Term Index takes a two-year view with slightly different parameters and weightings (see below).

The Country Attractiveness Indices take a generic view and different sponsor/financier requirements will clearly effect how countries are rated. Ernst & Young's Renewable Energy Group can provide tailor made studies to meet specific corporate objectives.

## Long-Term Indices

The Long-Term Indices are forward looking and take a long-term view, hence the UK's high ranking in the Wind Index is explained by the large amount of unexploited wind resource, strong offshore regime and attractive tariffs available under the ROCs system. Conversely, although Denmark has the highest proportion of installed wind capacity to population level, it scores relatively low in the Wind Index because of its restricted grid capacity and reduced tariff incentives.

## All Renewables Index

This index provides an overall score for all renewable energy technologies. It combines individual technology indices as follows:

- Wind Index – 85% (Comprising Onshore Wind Index and Offshore Wind Index)
- Solar Index – 5%
- Biomass and Other Resource Index – 10%

## Individual Technology Indices

These indices are derived from scoring:

- General country specific parameters (the Renewables Infrastructure Index), accounting for 35%
- Technology specific parameters (the Technology Factors), accounting for 65%

## Renewables Infrastructure Index

An assessment by country of the general regulatory infrastructure for renewable energy (see page 10 'Guidance Notes' for further details).

## Technology Factors

These provide resource specific assessments for each country (see 'Guidance Notes' on page 10 for further details).

## Near-Term Wind Index

The Near-Term Index takes a forward looking two-year view based on the parameters of most concern to a typical investor looking to make an investment in the near-term. The Index gives a score for both onshore and offshore separately. For parameters and weightings see 'Guidance Notes' on page 11 .

## Glossary

AER	Alternative Energy Requirement (Ireland)	PPA	Power Purchase Agreement
CDM	Clean Development Mechanism (Kyoto Protocol)	PTC	Production Tax Credit (US)
DTI	Department of Trade and Industry (UK)	RE	Renewable Energy
EEG	Erneuerbare Energien Gesetz (the German feed-in tariff)	ReFIT	Renewable Energy Feed-in Tariff (Ireland)
GW	Giga Watt (1000MW)	RFP	Request for Proposals (Canada)
KG	Kommandit Gesellschaft (Germany)	RO	Renewables Obligation (UK)
MRET	Mandatory Renewable Energy Target (Australia)	ROC	Renewables Obligation Certificate (UK)
MW	Mega Watt (1000kW)	RPS	Renewables Portfolio Standard (US)

## Long-Term Indices at Autumn 2005

Ranking**	Country	All Renewables Index	Wind Index	Solar Index	Biomass & Other Index	Renewables Infrastructure Index***
1 (1)	Spain	68	69	69	61	73
2 (2)	USA*	67	67	74	60	63
3 (3)	UK	63	65	46	58	71
4 (4)	Germany	60	60	69	52	54
5 (9)	India	57	59	54	44	51
6 (6)	France	56	57	56	52	52
6 (5)	Portugal	56	56	55	49	64
6 (7)	Ireland	56	58	38	46	63
9 (10)	Netherlands	55	57	49	42	57
9 (7)	Italy	55	56	55	47	59
11 (11)	China	53	56	40	27	43
12 (11)	Canada	52	55	40	35	56
13 (13)	Sweden	51	51	43	53	54
13 (13)	Greece	51	53	51	41	56
15 (15)	Denmark	49	50	43	45	63
15 (16)	Australia	49	50	55	43	50
17 (17)	Norway	48	50	33	46	56
18 (18)	Belgium	46	48	36	36	51
19 (19)	Finland	37	37	27	45	56
20 (20)	Austria	31	28	54	45	46

(RPS\*) This indicates US states with a Renewable Portfolio Standards and favourable wind regimes

\*\* Ranking in the Summer 2005 Index in brackets

\*\*\* Combines with each set of Technology Factors to generate the individual Technology Indices

**Spain** remains the highest ranked country with its new five year energy plan to 2010 providing a firm foundation to its strong indigenous industry. The **US** market continues to motor following the extension of the PTC.

Although the **UK** has maintained its ranking at 3 in the All Renewables Index it has dropped from 1st to 3rd place in the Wind Index notwithstanding high short term energy prices. This is largely due to the lack of increase of the ROC obligation target beyond 2015, which together with costs (and availability issues) for turbines is likely to lead to delays in the offshore programme.

**India** is the main mover in the All Renewables Index due to a strong onshore wind market. **Germany** remains strong although there is political uncertainty following the recent election.

In **Italy**, very high short-term prices of up to €150/MWh are being earned under the green certificate system. However, there is little certainty over green certificate values going forwards, even in the medium term. The obligation on suppliers

to supply a percentage of electricity from renewable sources (which drives green certificate demand) is conservative and no obligation target has yet been set beyond the end of 2006.

The **Portuguese** government is to tender for a total of 1,700MW of new wind power by 2012 in a series of separate requests for proposals (RFP's) in both large and small lots. The two main lots, one of up to 500MW and the other of up to 1,000MW will contain local content requirements that will commit bidders to building a turbine or major component manufacturing plant in Portugal, and to a minimum of 70% of the total investment remaining in the country. Whilst they may be successful in initiating a local manufacturing industry, the remaining 200MW of RFP's will offer only a very limited market for local small to medium sized developers.

**Canada's** current installed wind capacity stands at less than 600MW. However, with large RFP's being issued, the market looks set to grow rapidly. The state owned utility Hydro-Quebec is currently issuing a RFP for 2,000MW of wind power. Conditions of the tender include local content requirements

## Long-Term Wind Index at Autumn 2005

The forward looking Long-Term Wind Index comprises:

- The Onshore Wind Index – 70%
- The Offshore Wind Index – 30%

Each of these indices comprises:

- Renewables Infrastructure Index – 35%
- Technology Factors – 65%

Ranking**		Country	Wind Index	Onshore Wind Index	Offshore Wind Index
1	(1)	Spain	69	77	49
2	(3)	USA*	67	71	58
3	(1)	UK	65	64	66
4	(4)	Germany	60	59	64
5	(8)	India	59	67	40
6	(5)	Ireland	58	59	57
7	(5)	France	57	58	53
7	(12)	Netherlands	57	55	60
9	(5)	Portugal	56	61	46
9	(9)	Italy	56	62	40
9	(9)	China	56	59	51
12	(11)	Canada	55	58	46
13	(13)	Greece	53	57	42
14	(14)	Sweden	51	51	50
15	(15)	Denmark	50	46	58
15	(17)	Australia	50	53	42
15	(16)	Norway	50	51	47
18	(18)	Belgium	48	46	53
19	(19)	Finland	37	37	36
20	(20)	Austria	28	41	-

(RPS\*) This indicates US states with a Renewable Portfolio Standards and favourable wind regimes

\*\* Ranking in the Summer 2005 Wind Index in brackets

through which the Quebec government hopes to develop a local turbine manufacturing industry in the economically depressed Gaspé region. GE and LM Glasfiber are already building manufacturing facilities in the region on the back of a 1,000MW RFP a year ago and the government hopes the latest tender will attract more such industry.

Following on from Vestas' announcement that it is to build a production plant in **China** rather than the US, Nordex has announced it is setting up a joint venture with a local player to manufacture its 1.5MW variable wind speed turbines there. Such commitments show a growing industry interest and confidence in the new, but potentially huge, market. On the projects front, China's Datang Corp has ambitious plans to develop large windfarms in Inner Mongolia, with figures in the hundreds of megawatts being quoted. With a 1,000MW wind project planned off the coast of the Northern province of Habai, China could soon be making an entry into the offshore arena.

Despite uncertainty surrounding the future of support for renewable energy in **Australia** beyond 2007 when the MRET (Mandatory Renewable Energy Target) is expected to be fulfilled, a number of large projects are coming through. A newly opened Vestas blade factory in Victoria will supply Pacific Hydro's 198MW Portland Windfarm, the first stage of which is under construction. The news that Hong Kong power producer CLP Holdings has bought a 50% share in Hydro Tasmania's Roaring Forties renewable energy subsidiary will ensure development of projects in Australia including the 75MW Studland Bay and 129MW Musselroe Windfarm. State owned Hydro-Tasmania had been in need of development financing.

In **Ireland**, the new Renewable Energy Feed-in Tariff (ReFIT) has been announced. The measure will provide a 15 year fixed price PPA to at least 400MW of new renewable energy stations. The rate will be higher than the highest bid prices under the last AER.

## Near-Term Wind Index at Autumn 2005

Ranking	Country	Wind Index	Onshore Wind Index	Offshore Wind Index+
1	USA*	86	86	-
2	Spain	73	73	-
3	Germany	61	56	78
4	UK	55	50	84
5	India	54	54	-
6	France	47	47	41
7	Italy	46	46	-
8	China	45	45	-
9	Canada	44	44	-
10	Portugal	43	43	-
11	Australia	42	42	-
12	Netherlands	40	36	51
13	Ireland	39	39	42
13	Greece	39	39	-
15	Sweden	35	35	40
15	Belgium	35	32	42
17	Norway	34	34	-
17	Denmark	34	27	45
19	Finland	27	27	-
19	Austria	27	27	-

*(RPS\*) This indicates US states with a Renewable Portfolio Standards and favourable wind regimes  
+Countries with no offshore development expected to reach construction in the next two years have been excluded from the Near-Term Offshore Wind Index*

The Near-Term Wind Index takes the perspective of an investor looking to make a commitment within the next two years. The methodology and weightings used to produce the near-term scores is slightly different to that of the long-term scores so the two are not directly comparable. The Near-Term Index places a greater emphasis on market growth and takes into account a narrower range of parameters than the Long-Term Index.

The **US** takes the top spot in the Near-Term Indices due to a large pipeline of 100+MW projects coming on-line within the two year horizon. Whilst some commentators are saying that wider energy economics (ie high prices and security of supply concerns for fossil fuels) and state level legislation will drive the American wind industry regardless of the PTC cycle, it seems likely that the PTC boom-bust cycle will continue in near-term. Whilst the early renewal this summer has given two years of stability, the next renewal is due at the end of 2007 (just before the next election year) at which point congress may be less likely to be so generous and the US could fall back down the Near-Term rankings.


Ranked at number two, **Spain's** near-term score has dropped slightly due to a current slow down in installation rates as the grid operators review how best to accommodate high levels of intermittent wind generation into the grid. However, this is expected to be only a short-term set-back. Spain is a stable and attractive market and good prospects for the right investors are expected in both the near and long term.

The **UK's** high Near-Term Offshore score is keeping it just ahead of India in the Combined Near-Term Wind Index. However, India is ahead of the UK in both the Near-Term and Long-Term Onshore Wind Indices due to high installation rates that are expected to be sustained. The next 12 months will be something of a 'make or break' period for the UK's offshore wind industry. Several projects have been pushed back from 2006 to 2007 due to turbine shortages. The further projects are pushed back, the harder they will be to finance due to cash flow uncertainty beyond the 2015 RO horizon (see UK and Offshore sections). With grid problems troubling the Scottish onshore market too, it is foreseeable that India could take the UK's place in the top 4.

# Commentary – High Scoring Countries

## UK

### Green Certificate based ROC system



Ranking	Aut 2005	Smr 2005
All Renewables Index	3	3
Long-Term Wind Index	3	1
Near-Term Wind Index	4	-

The UK Department of Trade and Industry (DTI) have published a document that sets out the proposed changes to the Renewables Obligation legislation following this year's consultation. The document contains good news for the biomass sector, with proposals to adjust the currently stringent rules on ROC qualification for biomass energy that would allow a wider range of biomass feed-stocks and technologies to qualify. Less welcomed by the industry were proposals to reduce the support for lower cost technologies (land-fill gas) and the absence of a proposal to increase the obligation targets beyond 2015. The lack of an extension may


make it difficult to project finance new offshore projects in the next couple of years due to uncertainty in the ROC value past 2015.

Whilst there is uncertainty over the long-term ROC value, a growing gap between the yearly obligation levels and installed renewable energy capacity has meant short-term ROC prices have been high. Coupled with high 'brown power' prices, this has resulted in high earnings for some renewable energy generators – notably in co-firing where several power stations have reported very high margins.

News from the government that they will deliver a 'yes' or 'no' decision on the future of nuclear power through a review of energy policy next year may mean that further favourable announcements for renewables will be timed to coincide with policy decisions on nuclear.

## Spain

### Option of a fixed price or market based tariff under the Regimen Especial



Ranking	Aut 2005	Smr 2005
All Renewables Index	1	1
Long-Term Wind Index	1	1
Near-Term Wind Index	2	-

At the end of August the Spanish government approved a new five year energy plan to increase the 2010 target for renewables to 12.1% by 2010. The plan includes targets to increase the installed wind capacity to over 20GW (from a current installed base of 9GW) and to increase biomass capacity from around 300MW to over 2GW.

An ambitious target to increase solar PV from a base of less than 40MW to 400MW will add impetus to the Spanish solar market. A number of multi-megawatt PV projects are now operational in Spain and more are in development. A target for 500MW of solar

thermal capacity aims to stimulate a whole new industry.

The vast majority of the estimated €23.6bn investment that will be required to meet the objectives will be born by the private sector with the government providing support through fiscal measures and the tariff premiums available to renewable energy generation in Spain through the 'feed-in' and 'market' based options. The plan is largely as anticipated and will consolidate Spain's position as a world leading renewable energy market.

Spain has risen to the challenge of accommodating high levels of intermittent capacity in the grid by adopting innovative solutions to integration and providing incentives for windfarms able to contribute to voltage stability. Grid saturation is becoming an issue in some areas but the wind industry is confident that high levels of intermittent capacity can be integrated.



## USA (RPS)

Income stream based on RPS Specific Obligation Mechanism and the Production Tax Credit ("PTC")

Ranking	Aut 2005	Smr 2005
All Renewables Index	2	2
Long-Term Wind Index	2	3
Near-Term Wind Index	1	-

The onshore wind development market in the US is booming. In part this is due to the extension of the PTC for a further two years (under the new Energy Bill adopted in July) but wider economic issues are also contributing with high prices and security of supply concerns for fossil fuels playing a role. Installation rates are high and fifteen projects in the 100MW to 200MW range are expected to complete construction by the end of this year. A lack of long-term certainty in the US market (due to the PTC boom-bust cycle) means a significant share of US turbine demand must be met from imports as turbine manufacturers are shying away from building production plant in the US.

The current high demand for turbines in the US is putting pressure on the global supply market which is adversely affecting project costs and timeframes elsewhere. The next PTC renewal is due at the end of 2007. With the next presidential election in November 2008 the industry could face another dead period, as it did over the 2004 election period when the PTC was renewed late and installation ground to a halt.

At state level, Texas has recently increased its RPS (Renewables Portfolio Standard) target by 3,000MW to 5,880MW by 2015 and 10GW by 2025. Vermont recently issued legislation requiring state utilities to meet any new load growth from renewable energy sources. However, the requirement is capped at 10% of the utilities 2005 retail sales.

On the finance front, a high demand for investments (notably from institutional investors such as pension funds), is tightening lenders margins. A number of innovative cost saving portfolio financings have been undertaken recently, including a portfolio financing which included projects in different states with different PPA off-takers.



## Germany

20-year Government guaranteed feed-in tariff under the Erneuerbare Energien Gesetz (EEG)

Ranking	Aut 2005	Smr 2005
All Renewables Index	4	4
Long-Term Wind Index	4	4
Near-Term Wind Index	3	-

Following the close September election result, the German renewable energy industry is little clearer about what lies ahead. Both parties had discussed significant changes to Germany's renewables support mechanisms and a shadow of uncertainty will remain until the coalition government has stabilised.

Germany has a sizeable offshore development pipeline and a number of projects have been fully permitted. However, not one project has yet reached construction and the industry is in danger of falling behind the government's strategy for offshore wind development which

envisages 500MW to be developed between 2004 and 2006, 2,000MW to 3,000MW between 2007 and 2010, and 20,000MW to 25,000MW between 2011 and 2030. German offshore projects face both technical and financial challenges. Rising turbine costs globally are exacerbating the problems. Some banks are expressing concerns over German offshore and may make stringent demands on contractual structures.

Larger utility players are likely to play an increasing role in this market with increased partnering of existing KG investment funds. A number of such investments have been made and Germany is likely to be the second most important market in offshore in the medium term (after the UK) particularly when 5MW machines are available.

## The Carbon Economy

At the end of September the European Parliament voted to adopt a report that calls for an increase in the European target for renewable energy to a mandatory target of 20% of total energy consumption by 2020 (equivalent to 33% of electricity generation). This represents a significant increase on the current EC Directive 2001/77/EC which sets an indicative target to increase renewable energy contribution to gross domestic energy consumption from 6% in 2000 to 12% in 2010 (equivalent to 22% of electricity generation), as well as setting non-binding targets for each member state. Other recommendations in the recently adopted paper include fair market conditions to electricity produced from renewables, an end to subsidies to fossil fuel energy, and a greater use of biomass energy. The vote to adopt the paper represents a proposal for concrete action that the European Parliament hopes will put pressure on the European Commission to come forward with stronger legislation on renewable energy policy.

The 'Asia-Pacific Partnership on Clean development and Climate' was signed by six nations back in July. The six nations are: the USA, Australia, China, India, South Korea and Japan. The US and Australia have both rejected the Kyoto Protocol whilst China, India and South Korea (as Annex II parties) are not yet bound by the emissions reduction targets. Proponents of the resolution claim it is a separate mechanism to Kyoto to promote investment in low carbon technologies. Critics from the environmental lobby claim that the partnership is an attempt to undermine post 2012 implementation of the Kyoto protocol when the Annex II parties are due to be incorporated. It seems unlikely that the 'Alternative Kyoto' will have an effect on Kyoto's CDM mechanism which is intended as the major driver of renewable energy investment and emissions reduction in Annex II countries. A number of CDM projects have been registered recently including an 8MW municipal solid waste treatment plant to be developed in Kalyan, India, that is expected to earn US\$36m in CDM carbon credits.

## Offshore Issues

Rising turbine prices due to a global supply shortage have affected the wind industry as a whole but may have the most significant impact on the offshore industry where orders are large and many projects will not be viable until construction and development costs come down. In the tight turbine supply market developers may need to secure supply contracts earlier than planned and many may see construction timeframes pushed back if they are unable to secure turbines under the right cost and time conditions. In a number of cases suppliers have withdrawn from turnkey contract discussions, as they perceive the risks as too onerous given experience on early projects.

The news from the UK's Renewables Obligation (RO) consultation process that the RO target will not be increased beyond 15% in 2015 is bad news for the country's offshore wind industry. Projects could struggle to secure project financing due to cash flow uncertainty beyond 2015 (when, if the 15% target is met, the value of Renewable Obligation Certificates

could drop significantly). The industry is also awaiting the outcome of a consultation which will decide how grid connection charges for offshore projects will be levied.

Good news comes from the Netherlands where a moratorium on subsidies for offshore wind has been lifted and a ten year feed-in tariff to fund 700MW offshore developments by 2013 announced. In France there is disappointment that only one 100MW project out of the recent 500MW tender has been granted a tariff. The Côte d'Âlbâtre project is still subject to significant uncertainty with some permits, an environmental impact assessment and a public consultation outstanding. In Denmark the tender for Nysted II is underway. Horns Rev II was granted to Energi E2 earlier this year.

On the technology front, Enercon is to test a 6MW turbine designed for the German offshore market where the high cost of deep water foundations is driving a need for large turbines.



# Commentary – Guidance Notes



## Long Term Index

As stated on page 3, the Individual Technology Indices, which combine to generate the All Renewables Index, are made up as follows:

- Renewables Infrastructure Index – 35%
- Technology Factors – 65%

These Guidance Notes provide further details on the Renewables Infrastructure Index and the Technology Factors.

## Renewables Infrastructure Index

The Renewables Infrastructure Index is an assessment by country of the general regulatory infrastructure for renewable energy. On a weighted basis, the index considers:

- Electricity market regulatory risk – 29%: Markets that are fully deregulated score higher, as they have experienced the market shock' on underlying wholesale prices that this transition may exert. Whilst this may not affect current projects, these effects are particularly important when considering long term investment prospects.
- Planning and grid connection issues – 42%: Favourable planning environments (low failure rates and strong adherence to national targets) score highly. Grid connection scoring is based on the ease of obtaining a grid connection in a cost effective manner. The score also takes account of the degree of grid saturation for intermittent technologies.
- Access to Finance – 29%: A market with a mature renewable energy financing environment, characterised by cheap access to equity and good lending terms will score higher.

This generic Renewables Infrastructure Index is combined with each set of technology factors to provide the Individual Technology Indices.

## Technology Factors

These comprise four indices providing resource specific assessments for each country, namely:

- Onshore Wind
- Offshore Wind
- Solar
- Biomass and Other Resources

'Other' RE resources include small hydro, landfill gas, wave, tidal and geothermal technologies. Energy from waste is not considered. Each of the indices consider, on a weighted basis, the following:

- Power offtake attractiveness – 19%: This includes the price received, the potential price variation and length of PPAs granted. Higher scores are also achievable if the Government guarantees the power offtake rather than merchant offtakers.
- Tax climate – 11%: Favourable, high scoring tax climates that incentivise Renewable Energy generation can exist in a variety of forms and/or structures. The most successful incentives and structures have been direct RE tax breaks or brown energy penalties, accelerated tax depreciation on RE assets and tax efficient equity investment vehicles for individuals.
- Grant/soft loan availability – 9%: Grants can be available at local, regional, national and international levels; and may depend on the maturity of a technology as well as the geographical location of the generating capacity. Soft loans have historically been used in pioneering countries of RE technologies to kick start the industry. High scoring is achieved through an array of grants and soft loans.
- Market growth potential – 18.5%: This considers current capacity compared to published targets. Higher scores are given if ambitious targets have been made and policy frameworks are in place to accelerate development. The realism of targets are also taken into account as well as the seriousness with which they are being pursued (eg: penalties in place for non compliance).
- Current installed base – 8%: High installed bases demonstrate that the country has an established infrastructure and supply chain in place, which will facilitate continued growth and in particular encourage the re-powering of older projects.
- Resource quality – 19%: For example wind speeds and the sun index.
- Project Size – 15.5%: Large projects provide economies of scale and a generally favourable planning environment, which facilitates project development financing.

## Commentary – Guidance Notes (cont.)

### Near-Term Index

As stated on page 3, the Near-Term Wind Index focuses on factors of most immediate concern to near-term investment in wind energy. The scoring follows the same methodology as for the Long-Term Index but with a more focused set of parameters and a tailored weighting. Therefore the indices consider on a weighted basis the following for both onshore and offshore wind separately:

- Power offtake attractiveness - 27%
- Tax Climate - 8%
- Resource Quality - 14%
- Market Growth Potential (mid 2005 to mid 2007) - 40%
- Project Size - 11%

In the Offshore Wind Near-Term Index, countries with no projects estimated to reach construction in the next two years (to mid 2007) are excluded.

It should be noted that the Market Growth Potential score is based on a view taken on the basis of a range of business analysts' forecasts and Ernst and Young's own market knowledge. There is significant variation between analysts' views on each market and within some markets the variation is greater than in others. The forecasts used are a market view only and the scores in no way guarantee that the forecasted capacity will be built.

Whilst comparisons have been made between scores in the Long-Term and Near-Term Indices it should be emphasised that, due to the different weightings and parameters used, these cross-comparisons are of a narrative nature only and in no means indicate any quantitative valuation.

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## Ernst & Young Renewable Energy Group

With a dedicated 20 - strong team of advisors, supported by an international network of specialists, Ernst & Young's Renewable Energy Group helps clients to maximise value from Renewable Energy activity. The Renewable Energy Group provides advice and services in the following areas:

- Financial advisory and valuation
- Financial modelling and structuring
- Structured finance and taxation
- Finance raising
- Asset value optimisation
- M&A
- Market entry strategy
- Procurement strategy
- PPA tendering
- Transaction support
- PE advice
- IPO advice
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