

Energy Techs to Rise in 2006

Analysts say fuel cells and other new energy technologies will do well next year.

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Fuel cells and other energy technologies will power up in 2006, analysts said at the Red Herring Fall conference in San Francisco.

"A focus on new forms of energy is definitely a trend," said Vikram Kaura, a vice president and senior analyst at C.E. Unterberg, Towbin. "In many developing countries, innovation is running at least as fast as in the U.S."

As an example, he said he was surprised to see his mother using a solar oven in India and was told that it was a common appliance there. "I definitely expect to see other countries surprise us in many ways in the future," he added.

As fossil fuel prices remain high, clean energy—especially solar power—certainly has been a trend this year. Cleantech funds have grown significantly, with energy investments making up the biggest category (see Cleantech Investments Up 37% and Cleantech Funds Seen At \$10B).

The top three tech IPOs this year were solar companies, with the top IPO, Chinese solar firm Suntech Power, debuting Wednesday (see Suntech Power IPO Jumps 41%).

Other solar IPOs, including Q-Cells, Conergy, Ersol, and SunPower, also did well (see Q-Cells Raises \$288.5M and SunPower IPO Jumps 55%).

Also at the conference, Jim Handy, a director at Semico Research, said fuel cells will emerge as a substantial trend next year, even though they "won't take over the world."

"It's a shoo-in," he said. "It seems we finally got to a place where things are getting ready for prime time. Everyone's looking for longer battery life in a smaller size, so we're pretty bullish on that."

There is some evidence he may be right.

Fuel cell company Medis Technologies in July said it received a \$50-million order and would start delivering its fuel cell power packs in the beginning of 2006.

The cells are disposable devices that can charge cell phones and other devices, and will deliver 20 hours of talk time for about \$20, said the company (see Fuel Cells Step Closer and Q&A: The Fuel Cell Evangelist)

Long Delays, Many Challenges  
But others are skeptical.

Technical challenges remain, including heat and waste management, size and weight challenges, and low efficiency. Business challenges also present obstacles, including a lack of standards, laws that prohibit methanol and hydrogen in airplane passenger cabins, an absent supply chain and cartridge distribution system, and high costs.

As a result, fuel cells have experienced a history of delays. Japan's Toshiba, NEC, and Casio Computer have all announced commercial fuel cell products that never arrived on the market.

Germany's Smart Fuel Cell has delayed its launch from 2006 to 2007, after originally promising a launch in 2004 (see Toshiba Fuel Cell Delayed and Fuel Cell Follies).

Toshiba even claimed that "2004" really referred to the fiscal year that ended in 2005 when its long-awaited fuel cell for laptops failed to materialize last year. Now that launch has been postponed to 2007 at the earliest.

"Nobody is there yet," said Sara Bradford, research manager of the power systems group at research firm Frost & Sullivan.

Whether fuel cells take hold next year or not, it's clear that power is becoming a prime-time issue.

Indian software development company Aftek Infosys plans to expand its involvement in the energy sector with a smart grid technology, said CEO Ranjit Dhuru at the conference.

The company's flagship energy product was a backup power management system called Powersafe. Powersafe originally made up half of Aftek's revenue, \$3 million of a total of \$6 million.

Now that the company has expanded, bringing in revenue of \$48 million last year, energy has dwindled to less than 7 percent of the company's business.

But the demand for reliable energy has grown into "too big a market for us not to look at again," said Mr. Dhuru. Aftek is working on a Consumer Portal system that would allow utilities to bid on energy to avoid blackouts, giving large energy users an incentive to shut off part of their power.

With the new product, energy could grow into 15 or even 20 percent of Aftek's business, said Mr. Dhuru. Consumer Portal prototypes will be tested next summer, with commercialization planned for 2007.

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