

Carnegie looks to turn the tide on energy needs



Small-cap Spotlight

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Company: Carnegie Corp (CNM)

Recommendation: Hold

RENEWABLE and innovative energy is a sector the federal Government is keen to back, as can be seen with its \$500 million Renewable Energy Fund.

Innovative companies are all vying for a slice of the action and some proceeds may find their way to Carnegie Corporation. Carnegie aims to harness the energy of ocean currents with technology regarded as the "underwater equivalent" to a wind turbine.

Named after a Greek ocean goddess, this CETO technology is capable of generating zero-emission electricity and, as a bonus, desalinated water.

Sven Restel, analyst at wise-owl.com, says that CETO involves a series of submerged flexible buoy-like units anchored to the ocean floor, swaying back and forth with the tides, creating energy and pumping water for desalination.

Restel says: "Units similar to CETO have been designed before to harness the energy produced by waves. CETO is different in that it sits underwater away from the shore, hence is invisible, and is notably environmentally friendly."

Sixty per cent of earth's population lives near the ocean, and a CETO "wave farm" can theoretically be set up anywhere with an average swell of 2m. Carnegie has exclusive rights to this CETO technology in the southern hemisphere, and the company's research facility in Fremantle operates small demonstration units offshore and onshore.

The company has been shortlisted for a contract to supply 5MW to a West Australia desalination plant. Carnegie is now seeking commercial sites and has recently been granted a project site outside Albany, on Western Australia's south coast.

The next step is to develop a commercially scaled demonstration wave farm that will be used to attract

potential contracts. First production and sales is expected from 2011.

"It is clearly a remarkable technology," says Restel. He highlights that recent sharp falls in energy prices is a negative, but concedes the onus on CO₂ emissions remains, which is where CETO has strong appeal.

The other key risk seems to revolve around funding development of the technology through to commercialisation.

Restel says: "Developing CETO has thus far been extremely capital intensive. The \$17.5 million raised from shareholders last financial year has largely already been spent, and we anticipate another capital raising in the near future. As good as the technology is, it is still some time before revenue starts rolling in."

