Belt up for green bandwagon ride

In a follow-up to last week’s introduction to the types of investing opportunities available in the green industry, SERENE CHEONG speaks to investors about their views on such investments, with a specific focus on the green energy sector.

From private equity to funds and trusts, Singaporeans are spoiled for choice when it comes to green investment opportunities. But former university lecturer and green writer Thaddeus De Silva reckons the pick-up rate for green investments is slow in Singapore. He blames the general lack of interest on people’s unwillingness to forgo creature comforts.

“We are a consumer society without conscience partly because our whole set-up is geared towards economic growth,” says Mr De Silva. “These days there seems talk from the government about sustainable economic growth, but it is focused on headline numbers that do not gel with sustainability.”

Conversely, Daniel Lin, a private investor in green businesses and an accountancy undergraduate from Singapore Management University, thinks otherwise. “I believe Singaporeans will sit up and take notice of green initiatives and investments when they realise how seriously the government is viewing the sector’s development,” he says.

So he is optimistic that Singaporeans will follow the government’s lead and quickly become more receptive to the idea of green businesses, citing the launch of the Energy Studies Institute by Trade and Industry Minister Lim Hng Kiang in November 2007. The institute is South-east Asia’s first energy think tank that focuses on the R&D of renewable energy policies.

“People should not follow trends blindly, but people are very excited about jatropha oil and solar. ‘I am following the merits of investing in a good idea. It is crucial to keep in mind Warren Buffett’s golden rules on investing. Rule 1: Never lose money. Rule 2: Never forget rule number one. If an investor is unfamiliar with the green industry or a particular company, I suggest they stay away and not jump on to the bandwagon,” says Mr Lin.

Besides having a good grasp of the firm and industry, investors also need to equip themselves with an understanding of the global financial situation, says Mr Tow Wee Cheong, who works in the trading arm of an oil major.

“People should not follow trends blindly or be carried by the hype about green businesses,” he says. “With the current market outlook of high global inflation and diminishing US growth, I am bearish about the global stock market and I don’t think it is wise to invest in green energy equities now.

“The overall reduction in global oil demand due to operations of an American recession could also prevent gains from hitting new highs, thereby diminishing the prospects and viability of green energy.”

Mr Tow, however, says he won’t put money into green investments any time soon. He feels current economies do not justify a shift to alternative energy in the short term as crude oil continues to be more affordable than other energy sources. It will take quite a while more for green energy to become mainstream, and this will only happen if the cost of conventional energy continues to escalate,” he says. “The financing of new technologies and state-of-the-art infrastructure could potentially lead to an increase in total debt and liability, thus making green firms unattractive to investors.”

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