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Outlook 2008: Alternative Energy Companies Will Power “Green” Profits in the New Year

By Robert Williams Managing Editor The Oxford Club

If "green" investors want to succeed in the New Year, there's really only one thing to remember: In 2008, alternative energy is an alternative no longer.

The world's effort to rescue the earth from years of pollution and environmental neglect came of age in 2007, as "green" investors sent shares of environmental stocks 50% higher [as determined by the [WilderHill Clean Energy Index](#)].

As most sectors fell victim to the subprime-led U.S. credit crunch, the declining dollar, the slowing U.S. economy or a combination of all three, environmental stocks were stalwarts. And the good news for would-be "green" investors is that 2007 was only the start of a multi-year growth story.

Today, roughly \$1 out of every \$10 invested in stocks in the United States is flowing into environmentally conscious companies. And that ratio can only increase. As such, when investors position themselves for 2008, don't just look for an encore - expect a virtuoso performance. Indeed, this year's returns will at least equal the double-digit gains of 2007, and could well eclipse them.

Why Red China is Going Green

For years, emerging markets investors and businesses with

global aspirations have looked the other way with regards to the growing environmental catastrophe that is much of emerging Asia. In the past few years, however, Asia - and especially China - are experiencing mounting pressure to clean up their environmental acts. It's [a controversy that is going to escalate](#), sending environmental-sector stocks even higher.

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Using the world's most abundant resource - light from the sun - as a clean energy source makes imminent sense. But we're only just now channeling technology into an efficient and inexpensive means of harnessing the sun's power.

The [Solar Energy Industries Association](#) (SEIA) says that solar power will provide 50% of all new electricity in the United States within eight years, creating tens of thousands of new high-tech jobs, while helping to conserve natural gas and saving American taxpayers billions in energy costs.

We'll be the first to admit that estimate may be on the ambitious side, but the fact is, solar power is making serious headway in powering this great nation of ours. And today, it still accounts for only a small fraction of current energy use, giving the industry and its top-shelf companies huge growth potential. And when you add in the effect that the big new polluters such as China and India will have on the global environment, the solar industry is like a cannon packed with gold shot.

To demonstrate the power of solar, Google Inc. ([GOOG](#)) - a known advocate of green energy - built the largest solar panel installation to date on its corporate campus. Each day, the company provides a real-time update of the power the panels are generating. At the time of this writing, Google had harnessed

enough of the sun's light in the last 24 hours to power 3,191 hours of flat-screen television viewing, 817 hairdryers for 15 minutes, or 319 coffee makers for an hour.

More than \$70 billion was invested globally in clean energy and clean technology markets in 2006 - a 43% increase over 2005. And the trickle-down of the massive investment dollars has reached the end-user level. For solar, it's meant the number of new systems installed in the United States has nearly tripled, according to the [Interstate Renewable Energy Council](#).

China has quickly established itself [as one of the world leaders in solar-energy technology](#). In 2007, half a dozen China-based solar-energy firms issued stock via initial public stock offerings (IPOs), and three of those companies were among the [better-performing stock offerings](#) of last year.

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If funds are more your style, consider some of the better-quality exchange-traded funds (ETFs) that focus on "clean" technology. One of the top names is PowerShares WilderHill Clean Energy ([PBW](#)).