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Tracking Clean Energy Globally

The first global clean-energy index is expected to launch this week.

'This index more truly represents the Earth.'

-Robert Wilder,
WilderShares

New Energy Finance and WilderShares on Tuesday said they are launching the first global clean-energy index, a move intended to help define and monitor the fast-growing clean-energy industry.

The WilderHill Clean Energy Global Innovation Index will include 86 companies that trade in 18 different countries, the groups said.

The index is expected to appear on the American Stock Exchange this week under the NEX symbol, as soon as the AmEx completes its final tests, said Michael Liebreich, chief executive of New Energy Finance, an energy research and consultancy company based in London.

Included in the index will be companies active in nine sectors: wind energy; solar energy; biofuels, biomass, and waste energy; other renewable energy, such as marine and geothermal energy; hydrogen and fuel cells; power storage; generation efficiency and smart distribution; energy-saving technologies; and related services and suppliers.

Mr. Liebreich said the index will help prove that clean energy is "a real industry" and will help educate investors and set a benchmark for individual companies, stock pickers, and fund managers.

"This is a \$42-billion industry, in terms of the investment volume going in every year, and I think a lot of people don't realize that because it is a very fragmented industry, reaching across many segments and countries," he said.

"This index gives visibility to the sector. It will help people think about the sector as a whole and track its ups and downs."

The new index comes more than a year after WilderShares launched the WilderHill Clean Energy Index of U.S. clean-energy stocks, tracked under the symbol ECO, in August 2004. In February of last year, PowerShares Capital Management launched an exchange-traded fund (ETF) based on the index (see Clean

Capital).

Investors could soon have the chance to trade on the new index, too, Robert Wilder, president of Encinitas, California-based WilderShares, told RedHerring.com. "If the [Securities and Exchange Commission], as hoped, approves the index in a registration process, then an ETF should be launched that tracks our index," he said.

Joining Forces

Just for its own use, New Energy Finance had also created an informational clean-energy index at the end of 2004. "It taught us a lot," said Mr. Liebreich.

Then he met Mr. Wilder, who wasn't satisfied even though his index was being mirrored in an ETF.

"Because of our original registration for ECO, we were really going to emphasize U.S.-listed companies, and we just couldn't capture these wonderful German solar companies or Northern European wind companies or Asian energy storage companies," he said.

Mr. Wilder wanted to start a global index, and New Energy Finance wanted a more robust index, so the two groups joined forces.

They screened 927 public companies for the index and excluded companies with market capitalizations of less than \$150 million or with trading volumes too low to be accepted on the American Stock Exchange.

No Minimums

Those measures cut out all the clean-energy stocks on the Nasdaq Capital Market for small-cap companies, as well as those on London's AIM exchange, which sets no minimum number of shares in public hands and no minimum market capitalization.

Some European and Japanese companies with high prices for individual shares—in dollar terms—were also excluded because they don't trade often enough to meet the liquidity requirements, according to Mr. Liebreich.

"We have put an emphasis on liquidity," he said, adding that some of those excluded stocks might be reconsidered later.

The groups then analyzed the companies to evaluate how closely their stock prices reflected their clean-energy activities. **General Electric** wasn't included, for instance, because the company is so big that its wind section doesn't have a big impact on its stock price, said Mr. Wilder. BP, a petroleum company with solar assets, is another example.

Overall, the large majority of the NEX stocks have more than 25 percent exposure to the industry, with about

half having more than 50 percent of their value in clean energy, said Mr. Liebreich.

But New Energy Finance and WilderShares also added a few companies with smaller percentages of value in the clean-energy industry if they considered them very important to the industry.

Take Sharp, for example. It's the largest solar manufacturer in the world, but solar does not make up the majority of its value, said Mr. Liebreich.

Room for Change

An advisory board of more than a dozen people will rebalance the index every quarter to make sure it continues to reflect the industry as a whole.

While there is no upper limit set on the number of stocks that can comprise the index, Mr. Liebreich said the board will probably try to keep the index at about 100 stocks. That might eventually mean removing companies with less business in clean energy, but for now, there is still space for clean-energy companies that meet the requirements, he said.

Mr. Wilder said he is "delighted" about the new index.

"If you want to capture major clean-energy transactions, you've got to look beyond U.S. shores," he said. "Clean energy is really a global phenomenon, and people can now follow this index to see how well global clean energy is doing. This index more truly represents the Earth."