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Bush, oil batter clean energy stocks

After loss by booster Kerry, alternative-fuels industry now looks to Congress and foreign markets.

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By Jacqueline S. Gold, CNN/Money contributing writer

NEW YORK (CNN/Money) - Shares of alternative energy companies took a one-two punch this week when President Bush was re-elected and oil prices tumbled back near \$49 a barrel.

Shares of companies like [Plug Power Inc. \(Research\)](#), a Latham, N.Y. maker of fuel-cell based generators, and [Energy Conversion Devices Inc. \(Research\)](#), a Rochester Hills, Mich., manufacturer of solar roofing and hydrogen-powered vehicles, got pummeled after Sen. John Kerry lost.

Kerry had promised to revive federal tax credits for a whole host of renewable energy sources, including wind and solar power, fuel cells, and hydrogen. (Fuel cells generate electricity like a battery, using hydrogen and air, and without combustion.)

The stocks took their second lump as [oil prices](#) tumbled, closing at \$48.82 a barrel in New York Thursday, the lowest since late September, and a 12 percent slide from record highs hit late last month.

But those who track and invest in alternative energy stocks are hardly glum. They say that worldwide craving for oil is only going to increase, especially from new economies like China and India, which will drive crude oil and natural gas prices ever upward.

"Oil is not going to trade below \$30 at any time in the foreseeable future," said Robert Wilder, founder of the WilderHill Clean Energy Index, a basket of 37 alternative energy stocks that trades on the American Stock Exchange.

"We are going to continue to have expensive oil," he said. "And that's the best thing for alternative energy."

In addition, the Kyoto global warming treaty is expected to become reality some time in 2005, limiting the amount of fossil fuels that signatory countries will be able to burn – giving another boost to demand for alternative sources of energy in world markets.

Because Washington is not a participant in the Kyoto accords, many domestic alternative energy companies are already developing overseas markets for their products. Once the Kyoto Treaty is in effect, those foreign markets will expand, alternative energy experts said.

"Germany and Japan have significant national programs," according to Richard Chleboski, chief financial officer of Marlboro, Mass.-based [Evergreen Solar Inc. \(Research\)](#)

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Overseas sales accounted for 70 percent of Evergreen's \$7.7 million revenue in 2003 and the company is growing at a rapid clip. Evergreen sold \$5.7 million in the third quarter and is on track to sell another \$6.9 million in product before year-end, he said.

[Fuelcell Energy Inc. \(Research\)](#), a favorite of alternative energy investors, makes half of its sales overseas, with the biggest demand coming from Japan and Korea, said chairman and CEO Jerry Leitman.

But some state incentive programs for alternative energy, especially in California and in the Northeast, have also given business a boost, he said.

Those in the industry also say there is still hope that President Bush will do something positive for cleaner, renewable energy sources during his second term. They point to his \$1.2 billion commitment to support hydrogen and fuel-cell development over five years, including the so-called Freedom Car initiative, to create a car powered by fuels other than gasoline.

"The Bush administration has been very supportive of promoting hydrogen as an alternative energy source," said John Quealy, an energy analyst at Boston-based investment firm Adams Harkness.

While Quealy and other alternative energy analysts said Kerry would have given a bigger boost to these stocks, "opportunities are very much alive in terms of this administration," he said.

With a Republican House and Senate, he said, Bush should have little problem getting an energy bill through the 109th Congress, including tax credits for clean fuels. "There will be financial support for this sector written into the next energy bill," he added.

To play the alternative energy sector, he recommended Irvine, Calif.-based [Quantum Fuel Systems \(Research\)](#), which supplies hydrogen storage and fuel-injection systems to customers like General Motors, which owns 11 percent of Quantum, and Toyota.

Quantum has no debt and \$68 million in cash, and should break even by March 2005, he said. (Quealy's firm, Adam Harkness, has a more than a 1 percent stake in Quantum and advises the company).

David Schoenwald, portfolio manager of the \$49 million New Alternatives Fund, has most of his alternative energy dollars invested in overseas firms, but among American names, he likes Fuelcell Energy. Schoenwald, who owns 150,000 FuelCell shares worth about \$2 million, says the company is the furthest along in commercially developing fuel cells among its peers.

Quealy, who also likes Fuelcell, says the stock should trade in the midteens as long as oil prices stay high. U.S. light crude for December contract was trading at \$49.05 a barrel Friday on the New York Mercantile Exchange.

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But investors should be attuned to the volatility of these stocks, Quealy warned. While there is great reward for the risk, "these are development, speculative companies," he said. ■

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