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Wells Fargo Issues Alternative Energy Report to Join Ranks of Banks Advancing SRI Research

by Bill Baue

The report provides an overview of the alternative energy market as well as the pros and cons of investment opportunities in wind, solar, hydroelectric, hydrogen, biomass, and even nuclear.

SocialFunds.com -- Wells Fargo (ticker: WFC) is taking something of a Jekyll and Hyde approach to climate change. In its Hyde persona, it petitioned the Securities and Exchange Commission (SEC) for permission to omit a global warming resolution from its proxy (SEC lawyers okayed the request) instead of engaging with the resolution filers to find a mutually agreeable way to comply with the request. In its Jekyll role, however, the company recently released a report entitled *Identifying the Opportunities in Alternative Energy*, which succinctly examines energy sources that help mitigate climate change and straightforwardly lays out the pros and cons of investing in them.

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That said, the report takes a qualitative, not quantitative, approach. It focuses on the most promising investment opportunities in electricity generation and transportation. In electric generation, it highlights hydroelectric, nuclear, and wind power. It also notes momentum moving away from large-scale grids and toward distributed energy (which localizes power production), a trend favoring wind as well as solar, biomass, and hydrogen. In transportation, it focuses on ethanol and hydrogen. The report divides investment opportunities into three tiers. First, many large companies have exposure to alternatives, such as General Electric (GE--which became the world leader in solar by purchasing AstroPower last year), United Technologies (UTX) through its fuel-cell division, or BP (BP) and Shell (RD), which have alternative energy divisions.

"The drawback to gaining exposure to alternative energy through such companies, however, it is that the alternative energy divisions of these companies tend to be relatively small versus their core businesses," writes report author Sarah Douglass, Wells Fargo's vice president of investment research publications.

Second, smaller companies offer "purer plays" focusing exclusively on alternative energy, such as Denmark-based Vesta (VWSYF.PK) and Spain-based Gamesa (GAM.MC) in the wind sector and US-based Evergreen Solar (ESLR). However, it cautions investors against jumping without a net.

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The report recommends gaining exposure to such companies through a diverse portfolio such as the PowerShares WilderHill Clean Energy Portfolio (PBW), an exchange traded fund (ETF) based on the WilderHill Clean Energy Index (ECO) of 37 US-based companies.

The third option, available only to "qualified" (read: "high net worth") investors, is venture capital investment in start-ups "that often have unproven technologies, but offer the potential for high returns, should these technologies prove successful."