

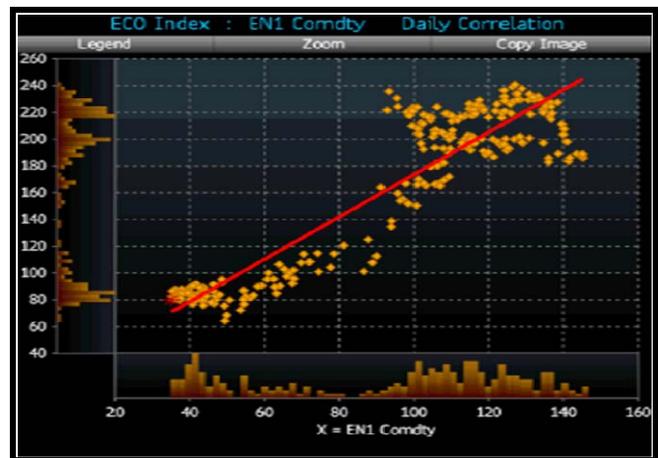
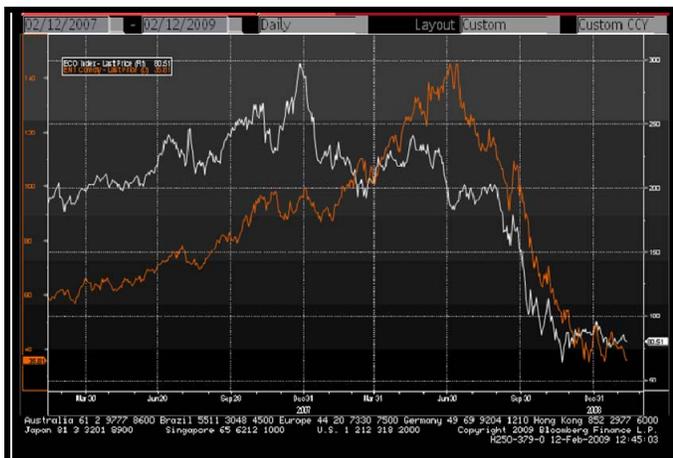
Industry Report

The Oil Myth

February 26, 2009

Investors interested in alternative energy opportunities would be remiss if keen awareness of fossil-fuel pricing was not an important determinant to their investment thesis. Coal, natural gas and other fuel sources directly compete with emerging electrical power alternatives such as solar, wind and geothermal. However, one highly visible and widely disseminated data point, crude oil pricing, remains a phoenix that continues to rise from the ashes again and again despite informed investors attempts to kill its perceived correlation to alternative energy prospects. We will dispel the myth and lay to rest the phoenix once and for all.

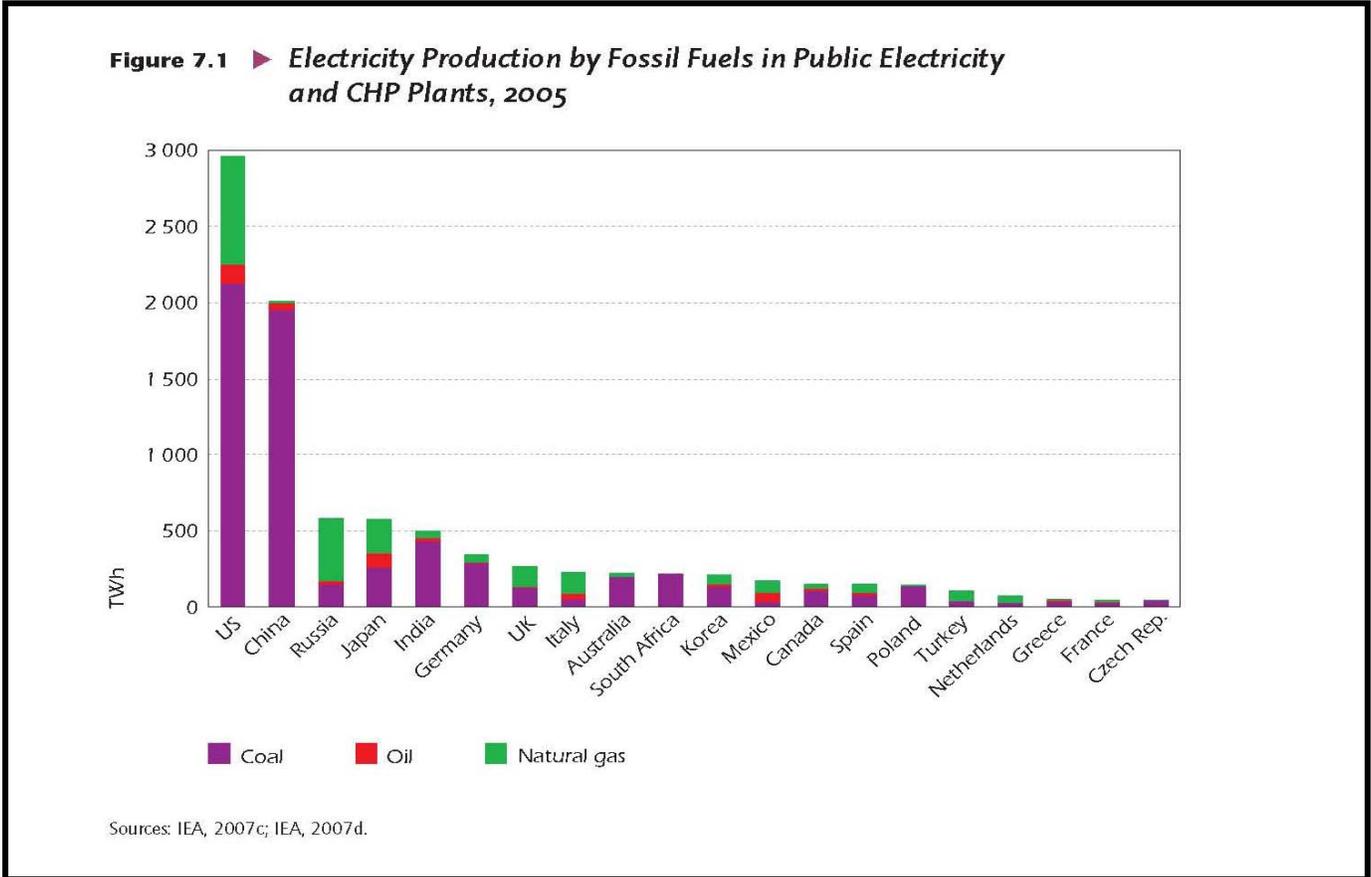
Currently, the simple price correlation of crude oil to the alternative energy industry continues to be relatively strong. We are using the Wilderhill Clean Energy Index (ECO) as our benchmark and light sweet crude in the charts below.



Source: Bloomberg

Despite the backdrop of positive correlation and the fact that perception sometimes holds as reality in the market, we believe a large portion of uninformed investors continue to ply this trade and do so at a risk to future performance and return.

Our starting point in dispelling this myth is the fact that, according to the International Energy Agency (IEA), oil provided an estimated 9 % of electrical generation on a global basis in 2005, primarily for heating purposes.



This data does not provide for private power producer fuel types, yet if oil provides say 15% of current global electricity supply (a stretch by our estimation), oil pricing would in no way set global electricity pricing.

A simple argument: Oil does not impact pricing for the vast majority of fossil fuel generated electricity.

The simple counter-argument: Perception is reality.

The market dynamic of changing alternative energy prospects and valuations due to large price swings in crude oil holds, in general, for alternative *transportation* fuel sources only. Biofuel, fuel-cell, battery

innovation, hybrid vehicles, and other emerging technologies related to gasoline alternatives are relevant to changing oil prices. Investors utilizing crude oil pricing as a signal to adjust expectations for solar, wind and geothermal energy are creating a relationship that simply does not exist.

A logical counter-argument can be made that the general public's (mis)perception of the oil linkage and its impact influences the level of governmental support for alternative electrical sources. This is true to a certain extent, but as new leadership has emerged in the United States, Japan, China, Germany and other large electricity consuming nations, public policy relating to alternatives is decoupling from the emotions of high prices at the pump. Public policy is now shifting to long-term strategic positioning related to energy independence, security and climate change, lessening the need for high oil prices to spur political willpower.

Investors continue to delve into alternative energy prospects and informed investors should begin to outnumber the pool of uninformed/speculative investors and the perception trade should dissipate.

Conclusion:

Existing fossil-fuel supply data, evolving political strategy, and heightened investor awareness are pointing to dissolution of the perceived correlation between oil prices and alternative electrical generation opportunity. The perception trade may remain profitable as uninformed investors place undue importance on this seemingly logical conclusion; however, we believe as markets participants begin to position alternative energy investments on a secular rather than trading basis, the oil myth will diminish and the perception trade will give way to the reality of facts.

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