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Cleantech Rocks, but It's Still Just a Bill

By Jack Uldrich August 7, 2007

Yesterday, I learned that the U.S. House of Representatives passed its version of the energy policy bill, stripping \$16 billion in tax incentives away from Big Oil and redirecting it toward wind, solar, and geothermal energy sources. And I couldn't help being reminded of a formative civics lesson I received from that *Schoolhouse Rock* hit single "I'm Just a Bill." In short, that bill still has a way to go before it becomes law.

For starters, it must be reconciled with the Senate version, which is not nearly as generous. Second, and more importantly, even if a cleantech-friendly bill is agreed upon, there is still a chance of a White House veto.

Nevertheless, I think the writing is on the wall. The public (and Congress) seems more receptive to renewable energy, and I think it is unlikely that whoever takes up residence in the White House in January 2009 will be as oil-friendly as the current administration. Both lead me to the conclusion that Big Oil's gravy days are numbered and that some version of this bill will become law.

On its face, this is obviously bad news for players such as **Exxon Mobil** (NYSE: [XOM](#)), **Chevron** (NYSE: [CVX](#)), **BP** (NYSE: [BP](#)), and **ConocoPhillips** (NYSE: [COP](#)), because these companies will probably see their tax rates increase, and higher taxes will ultimately eat away at bottom-line profits. However, since oil is an inelastic commodity, the impact could be partially offset; companies could raise their prices without giving up current levels of demand.

One alternative investment angle is to consider smaller cleantech companies such as **Ormat Technologies** (NYSE: [ORA](#)), which specializes in geothermal energy and is likely to benefit from

even a modest shift in federal investment. Still another way to play the opportunity is to consider an exchange-traded fund that offers investors a broad-based basket of companies specializing in the field of renewable energy, such as [Motley Fool Rule Breakers](#) recommendation **PowerShares WilderHill Clean Energy** (AMEX: [PBW](#)). Although the bill has yet to become law, now is a great time for investors to start considering its potential impact on their portfolio of energy stocks.

Check out these articles for more cleantech-related Foolishness:

- 0. [Houston, We Have an Opportunity](#)
- 0. [A Fresh Breeze at Siemens](#)
- 0. [The Biggest Economic Opportunity of the Century](#)
[The Best EFT of 2007: PowerShares WilderHill](#)

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