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## **Washington's Greater Fuel Theory, Part II**

NEW YORK (Dow Jones)--In an effort to make politics a bit more fun, some watchers of the annual State of the Union Address turn the occasion into a drinking game, taking a shot of their favorite tippie whenever stock phrases like "tax relief" or "war on terror" are uttered by the president.

It's a good bet they weren't ready for "cellulosic ethanol" being mentioned in the speech Jan. 31, 2006, but investors in the biofuel industry certainly raised a glass to President George W. Bush's pledge for a huge boost in its use. In fact, since talk of some statement supportive of the industry had leaked as much as 11 days earlier, traders bought the rumor and sold the fact. Nascent producer Pacific Ethanol Inc. (PEIX) and experimental cellulosic company Xethanol Corp. (XNL) rallied like dotcom stocks, up 89% and 80%, respectively, in just eight trading days.

"In early 2006, I remember ethanol stocks in our index popping, and I didn't know why. And then we heard Bush mention them in the State of the Union," said Rob Wilder, chief executive of WilderShares LLC, which started an index behind the first exchange-traded fund tracking alternative energy.

### **'Sputtered' An 'Understatement'**

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"'Sputtered' is an understatement," said Wilder.

Since the 2006 speech, Xethanol is down by 93% and Pacific Ethanol by 90%, with several ethanol plants shuttered due to poor economics, even as many more are under construction. It is an echo of the early 1980s when many producers went bankrupt after President Jimmy Carter's "gasohol" push faded and subsidies failed to translate into a government bailout when the market turned. A big collapse in oil prices in the future might exacerbate the situation while the hoped-for efficiencies that

would allow the cellulose of non-food crops to be turned into fuel remain elusive.

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"Clean energy doesn't have to only go up. Quite a few people have lost money and the hype, more than anything, is bothersome," he said.

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Given the fact that fossil fuel use is unsustainable, some nascent technologies eventually will work without government help. Wind power is getting close, for example. Wilder surmises that the readiness of investors to push up alternative energy stocks has something to do with a gallon of gasoline being the most visible of all prices.

"It's on huge signs wherever you go," said Wilder. "It's in your face, and it gets people thinking that we can't keep on going, being addicted to oil."

The next and final installment of this series will look at political initiatives to sharply curtail greenhouse gas output and how investors hope to benefit.

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