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Clean Energy: An Interview with Dr. Rob Wilder of Wildershires

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PowerShares launched an ETF designed to track the clean energy sector in March and the timing couldn't have been better. With rising fuel and energy prices, coupled with America's overdependence on traditional energy sources, people are ready for alternatives. For the three months ending 9/30/05, the PowerShares WilderHill index fund (Amex: PBW) has increased 17.03%.

Dr. Rob Wilder is CEO and founder of Wildershires, LLC. He's also the manager of the WilderHill Clean Energy Index and he serves as a visiting faculty member at the University of California in San Diego.

He takes a few minutes to share his thoughts with us the current climate and the future of clean energy.

Q. You invented the WilderHill Clean Energy Index. Tell us more.

RW: First, I want to give credit to Josh Landess and Elias Azrak for their help in developing our index. We track clean energy and specifically we look at technologies that are based upon preventing pollution. For example, technologies that are low carbon or zero carbon, solar, wind power and at the very speculative end, hydrogen and fuel cells. We also pay attention to technologies that promote energy efficiency and conservation. We try to capture all of this in a sector and track it.

Q: With fuel and power prices being so high, do you think investors are giving more credence to the idea of alternative energy sources and being able to make money from it?

RW: Probably the best way to judge that is by looking at the trading volume of the ETF that tracks our index. The PowerShares WilderHill Clean Energy ETF (Amex: PBW) was adding about \$10 million a month for the first almost 6 months in new assets. Then just about 5 weeks ago or before Hurricane Katrina that jumped to \$25-30 million per week. These are individuals putting their most important thing, their own money, into the idea of clean energy. For me that is a very practical, a very real gauge of how interested people are. Spiking oil prices and the hurricanes have also generated a lot of new interest.

Q: One of the amazing things about your Clean Energy Index, is that it doesn't contain any well-known oil or energy companies. What's that telling us? Is it saying there's still a dearth of innovation in alternative energy with these established companies?

RW: First as an index provider my biggest concern is to track the sector. The share price of *Chevron*, *British Petroleum*, or *ExxonMobil* on any given day simply doesn't reflect their solar and wind holdings. For example, we had one company in our index close up 30% in one day. It could easily decline the same amount or more in a day, but it's a pure play company that truly reflects clean energy. That's what we're after.

Q: Compared to other energy indexes, yours is pretty concentrated. Right now there's roughly 36 holdings and you categorize each one of these companies into a sub-sector. Looking at the "cleaner fuels" area of the index, doesn't the fuel we use at the gas pump already have emission standards? Why do we need cleaner fuels?

RW: Well, your starting with something that's very dirty and you're making it a little less so, but that still doesn't make it clean. "Clean" coal is still quite dirty. Even the internal combustable engine after 100 years of advances still emits a plethora of pollutants. That wouldn't be the case if we were using hydrogen but the problem there is we don't have hydrogen fueling stations. That will probably take decades to happen. For the fuels we have now, they are dirty and they are a contributor to global climate change. Diesel engines are also a culprit.

Q: One of the knocks against clean energy investing is that the big money oil and energy companies will never let it happen because of their financial and political clout. Any smaller competitors, no matter how innovative their technologies, will be stamped out. Is there any validity to that argument?

RW: In my opinion, *GE* is very smart. They're buying the companies. The monolith of oil is not such a monolith. At one end you have *ExxonMobil* which seems the least sympathetic to the idea of clean energy, whereas *British Petroleum* is making it a mantra. *BP* is very much involved in solar. *GE* is going to have \$2 billion in wind sales.

Q: There's been a lot of talk by politicians about the need for alternative energy sources. What do you think about this?

RW: To me this is a nonpartisan issue. There's no reason clean energy is any more Republican than it is Democrat. It's just smart for America. I look at the

spine of America from Texas up to the Dakotas and I think what great wind resources. Let's start jumping on wind and solar power! Last week I drove my kids to school in a solar powered car and we didn't need gasoline. All of this lessens our dependence on the Middle East. Let's, instead, send our money to America's Midwest by having American farmers grow our bio fuels.

Q: What about the emerging trend of hybrid automobiles?

RW: We had at my house this plug-in hybrid - it's an electric car that goes 0-60 in about 4 1/2 seconds. A professor at San Diego State built it. With a plug-in hybrid you can travel 20-30 miles on electricity before the engine kicks in. The motor runs on biofuels, which is a renewable fuel source that can be grown locally or national right here in the U.S. Plug-in hybrids is probably where the technology is headed. The current hybrids are great and I tip my cap to *Honda*, but an even better solution would be plug-in hybrid automobiles.

Q: Thanks, Rob.

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