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## Take Energy Tech Back From the Day Traders

By Bill Paul  
February 28, 2005

Remember the giant North American power blackout in 2003? **Beacon Power** ([Nasdaq: BCON](#)) is working to prevent a recurrence by developing products that will make the power grid more reliable.

It's important work, though no more so than that being done by many other small, publicly traded energy technology firms. It is not an exaggeration to say that the energy security of the United States depends in large part on the ultimate success of companies such as Beacon, and also **Capstone Turbine** ([Nasdaq: CPST](#)), **Evergreen Solar** ([Nasdaq: ESLR](#)), **Plug Power** ([Nasdaq: PLUG](#)), **Active Power** ([Nasdaq: ACPW](#)), and many others engaged in various aspects of energy tech -- from microturbines (Capstone) and photovoltaics (Evergreen) to fuel cells (Plug) and electricity storage systems (Active).

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### No place for day traders

With so much riding on their success, it is absolutely ridiculous that the financial well-being of these mostly developmental companies should be left to the vagaries of day trading. One has only to keep an eye on the **Yahoo!** message board for Beacon for several weeks to realize that day traders don't give a hoot about whether Beacon ultimately contributes to the nation's energy infrastructure. In December, one poster who was clearly fed up with all the snake-oil messages she had read posted the following: "Penny Stocks are ruined by Day Traders. Investors don't have any chance."

The fact that energy tech companies are even thought of as penny stocks is a national disgrace. It wasn't always so. The energy tech sector was born in the 1990s, the offspring of Silicon Valley and **Enron**. The former gave rise to irrational exuberance in all things technological, while the latter popularized the idea that energy could be a profitable tech sector just like computers, semiconductors, and wireless. With Wall Street firms pushing hard, shares of newly public companies like Capstone and Plug soared to many times their original prices.

### When the bubble burst

But when the tech bubble burst and Enron imploded, energy tech became yesterday's news, even though the problems that energy tech is intended to solve (i.e., grid reliability, environmentally friendly fuel consumption, etc.) have worsened in the last several years. Through no fault of their own, many promising energy tech firms have fallen on hard times -- Beacon, for example, sells for around \$1 a share, a tenth of its all-time high -- and some darn good energy tech financial analysts have lost their jobs.

Today energy tech is an orphan sector, with shareholders', and, less directly, individual companies' fortunes up one week and down the next depending on the latest federal or state government contract (or simply on the rumor thereof), generally awarded to demonstrate the feasibility of a given technology. It hasn't helped that federal energy policy has been stalemated for years over issues that have absolutely nothing to do with energy tech, such as drilling for oil in Alaska. Even the 2003 blackout failed to get Republicans and Democrats to put aside their differences and take steps to improve grid reliability.

Until Washington agrees on a national energy policy -- don't hold your breath -- energy tech likely will remain mostly a speculative investment. Still, there are ways for even conservative investors who consider themselves socially responsible to profit today by giving promising energy technologies the sound financial footing they need.

### Hope in the form of ETFs

One way you'd probably never think of is to invest in **General Electric** ([NYSE: GE](#)). Among its many other businesses, GE is a diversified developer of emerging energy technologies such as wind, solar, and gas turbines. The company is also working to improve the efficiency of gas-fired power plants.

Another way is to buy shares of **New Alternatives Fund** ([FUND: NALFX](#)), a self-described socially responsible mutual fund that invests in clean and renewable energy, plus fuel cells, energy conservation, and more. According to SocialFunds.com, New Alternatives was down 0.63% for the month of January but up 10.71% for the year ended Jan. 31.

Still another approach is to buy shares in an exchange traded fund (ETF). According to published reports, the first ETF targeting clean and green energy will start trading in March on the American Stock Exchange under the symbol PBW. It reportedly will be based on the **Wilderhill Clean Energy Index**, which includes nearly 40 companies, among them such potential long-term winners as **Distributed Energy Systems**, which is into power quality and

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reliability, and **Fuelcell Energy**, which is developing fuel cell power plants.

In the coming years many more energy tech firms currently being funded by venture capitalists are likely to go public, and I'd hate to see them meet the same fate as the current crop. ETFs, by adding a fusion of much-needed capital along with much-needed stability, are the best hope for wresting the energy tech sector away from day traders. I believe there are ultimately going to be several energy tech ETFs given the wide variety of not just technological but also geographical choices available for inclusion. Indeed, energy tech is a truly global phenomenon, with important developments occurring every day in Japan, Europe, and the U.S.

*Fool contributor [Bill Pau](#) is a former Wall Street Journal and CNBC energy and environment reporter. He does not own shares in any of the companies mentioned in this article.*

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