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Clean tech players bullish on '07

<http://www.marketwatch.com/news/story/clean-tech-gurus-eye-geothermal/story.aspx?guid=%7B005BB53D%2D1DF7%2D4FFD%2D94CE%2D7C9E97375238%7D>

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<http://money.cnn.com/news/feeds/articles/djhighlights/200708081342DOWJONESDJONLINE000709.htm>

By Steve Gelsi

NEW YORK (MarketWatch) -- Deal makers in the so-called clean technology business are mostly brushing aside recent market weakness and forecast a healthy flow of venture capital and other transactions in the solar, biofuel and wind energy sectors for the remainder of the year.

"Every area has momentum right now," said Dan Pullman, vice president at investment bank McNamee Lawrence & Co. "You see it solar, you see it wind, alternative transportation, fuels, and plug-in vehicles."

Michael Carboy, clean energy analyst at Signal Hill, said the health of the sector has little to do with week-to-week market fluctuations in equity prices.

"The appeal of the sector has nothing to do with market valuation -- it has everything to do with demand drivers on the national political and economic and global levels," Carboy said. "We have a need to more efficiently use energy, and get more energy from renewable sources. Those don't change based on market valuation. Corrections are an opportunity to look at names thought of as too expensive in the past."

Carboy has buy ratings on Sunpower (SPWR), Suntech Power (STP), and hold ratings on Evergreen (ESLR) and First Solar (FSLR).

In the power infrastructure business, Carboy assigned a buy ratings to American Superconductor (AMSC) and Zoltek (ZOLT), a maker of carbon fiber used by wind turbine makers.

Carboy sees continued investment by venture capitalists in the sector, especially in energy storage and electric grid efficiency specialists, as well as new solar energy technology.

However, he's bearish on the ethanol stocks because they're subject to swings both in corn prices and gasoline prices.

"You're playing the spread between the commodity market and the energy market," he said. "It's a dangerous game."

Jeffrey Saut, market strategist with Raymond James, sounded a word of caution on solar and other alternative energy shares, however.

"If you bet the farm, you better have two farms," Saut said. "Despite what the clean tech people will tell you, if crude oil goes down, the price of anything related to alternative energy comes down with it. Most don't stand on their own feet without high energy prices, or without government tax benefits."

Saut also said he likes solar energy long-term, is bearish on ethanol, and wonders why free energy from geothermal heat isn't more widely used.

Pullman of McNamee Lawrence said obstacles to clean tech include the Bush administration, which plans to veto the recently-passed House Energy Bill; as well as the high cost of silicon for solar energy panel makers. Players in the clean tech space expect more action from Washington - such as carbon trading legislation - after the presidential elections in 2008.

On the ethanol front, Pullman sees a pact coming that would allow more sugar cane-based ethanol to be imported into the U.S. from Brazil.

Jeff Lipton, managing director of the Clean Tech Group at Jefferies (JEF), said investors should approach the sector with some caution in the short-term given the summer sell-off in the broader market.

Looking toward the rest of the year, "I'd expect to see more transactions in terms of IPOs and secondaries," he said.

First Solar, for example, just set plans to raise a whopping \$1 billion in a stock offering. On the IPO front, GT Solar International Inc. has filed a \$200 million IPO to boost its business as a maker of manufacturing equipment for the solar power industry.

Jefferies is eyeing new players in the cellulosic ethanol -- fuel made from grass and other plant matter, as a more cost-effective source for energy, Lipton said.

Venture deals on the clean tech radar screen include a \$78 million round for Energy Photovoltaics, a \$70 million round for GreenVolts and a \$60 million infusion for BullMoose.

To boost its presence in the space, Jefferies hired Paul Clegg as senior equity research analyst covering clean tech companies, including nuclear technology.

Clegg most recently worked as a senior equity research analyst at Natexis Bleichroder covering alternative energy, prior to which he covered equity and fixed income securities at Calyon Securities.