

Alternative energy index to launch

By Richard Beales in New York

A new index tracking the performance of a portfolio of US alternative energy stocks is set to be launched today, among the first to focus on the relatively young and fast-growing sector.

The launch comes as high oil prices, geopolitical uncertainty and worries about climate change are generating growing investor interest in non-hydrocarbon based energy businesses.

Merriman Curhan Ford, the boutique investment bank in San Francisco, has developed the Merriman next generation energy index, which will be listed on NYSE Arca from today.

"With oil prices where they are now it's a very hot sector," said Jon Merriman, chief executive. "This index is a tool for investors to track what is going on."

He said a next step could be the development of an exchange traded fund based on the index.

Venture capital activity in the sector was already picking up, Mr Merriman said. As well as attracting investor interest, alternative energy has garnered increasing political attention as oil and petrol prices have risen.

"What people are seeing at their gasoline pumps reflects the global economy in which we live," President George W. Bush said last week. "I think we need... to encour-

age conservation, to expand domestic production and to develop alternative sources of energy like ethanol."

Companies in the new index include those involved in fuel cells, solar power, alternative fuels including ethanol, energy storage and other supporting technologies.

Some sub-sectors had immediate potential while others were longer term, said Brion Tanous, next generation energy analyst at Merriman.

"[Solar power] is a multi-billion dollar market today and growing very aggressively," he said.

Because many of the companies were young and their markets developing fast, the new index was likely to be volatile, Mr Merriman said. "There's going to be a lot of movement, a lot of volatility, a lot of winners, a lot of losers."

The inclusion and weighting of companies in the new index is based on a range of factors, including Mr Tanous' analysis. Fuel cell and solar technologies will each account for 25 per cent of the index, while alternative fuels and energy storage will carry a weighting of 15 per cent each.

The index is scheduled to begin trading today under the NGE.X symbol and will be rebalanced semi-annually or as technological developments dictate.