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Will Interest in Alternatives Continue if Oil Goes Down?

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Mike Norman, anchor, HardAssetsInvestor.com (Norman): Hello everybody and welcome back once again to our HardAssetsInvestor.com interview series. I'm Mike Norman, your host. Today my guest is Ed Mitby, senior research analyst at Van Eck, and we're going to be talking about alternative energy. Ed, thanks a lot for coming here; I appreciate it.

Ed Mitby, senior research analyst, Van Eck (Mitby): Thank you.

Norman: Alternative energy - that's a phrase we're hearing a lot of recently. Certainly you look at the environment, with skyrocketing energy prices, oil and gasoline, and alternative energy has really come to the forefront. Let's just get an overview: What are we talking about here? Wind, solar, ethanol? What are some of the forms of alternative energy?

Mitby: The biggest-known forms in terms of alternative energy would obviously be wind and solar. Another aspect to alternative energy is definitely nuclear. Some people actually consider coal alternative energy. You can make the distinction between clean energy versus alternative energy, which a lot of companies are working on. Potentially clean coal technologies would make that source very viable.

Norman: In the past, we've seen periods when oil prices spike up, and clearly, it's understandable why we're hearing all this talk about alternative energy now given the historic rise in oil prices and gasoline prices. But will it be like in the past? That is, if oil prices come back down again, will this momentum towards developing alternative energy fade away?

Mitby: We don't think so, and that's not what it looks like. The prior oil shocks, mainly in the 1970s where this kind of reaction happened, that was a man-made shock. It was artificial from the standpoint that it wasn't real and it was completely controlled by what the producers were doing. This time it is more structural. I think the world has basically realized that the production of oil ... it is a finite resource ... and whether it is running out now [or not], it is going to run out sooner or later.

Norman: Isn't there another element going on here? That is, it's not merely an oil price story. Oil is now perceived as a dirty fuel; it adds to carbon emissions. Isn't there this whole green movement going on, where we're looking for cleaner forms of energy that don't contribute to greenhouse gases?

Mitby: That's exactly right. There have been multiple studies, and a lot of people fight about the environmental impact [of carbon emissions]. [But] I don't think there's any doubt that the environment or weather patterns have become more random in the last decade or so.

Mitby: Ethanol is problematic, I think, in that it competes with food resources, so there are a lot of political problems with ethanol. Where I think you'll see your biggest advances in alternative energy will be in electricity, [in] generating power, because that's where wind can come in, that's where solar can come in. Ultimately I think a big solution in the energy problem could be the electric car; in fact, it probably will be. And in that case, you will need more electricity.

Norman: That seems clear. Now are we preparing for this? I'm sure everybody has seen it, the Boone Pickens commercials with the windmills. Is the wind-generated electricity the fastest-growing area in this electricity-generation segment?

Mitby: In the United States, wind is definitely the fastest-growing segment at this point. The growth is phenomenal at this point, probably 20 to 30% growth per year projected out for at least the next four or five years. The problem with wind is it needs a pretty substantial infrastructure built out in terms of transmission lines and power lines, and what they call the grid, to get the power from these fairly remote areas to the more populated areas; say, North Dakota to, say, Southern California.

Norman: I got you. All right, folks, in our next segment with Ed, we will be discussing U.S. energy policy. Do we have a policy in place to foster the growth of alternative energy, and what countries may be more competitive than us? So stick around, stay tuned to this Web site.

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