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# Clean Electricity: How to Profit from Obama's 80% Challenge

BY DR. KENT MOORS, EDITOR, *OIL & ENERGY INVESTOR*

Dear Reader,

In his State of the Union address, President Obama challenged the U.S. to produce 80% of our electricity from clean energy sources by 2035.

Right now, only about 11.5% of America's electricity comes from clean sources. Clean electricity in the United States will have to grow more than 500% from today's levels to reach his goal.

That's a major leap for the industry, even with Obama's relatively distant goal of 25 years. It will require deep government investment at the federal and local levels and a huge push from inside the clean energy sector itself.

As with any game-changing direction – landing a man on the moon in a decade, bringing an end to the Cold War, curing cancer, or weaning our economy off crude oil and coal – the leaders provide the enticement... but the market has to figure out how to get it done.

I see three initial questions arising from Obama throwing down such a gauntlet.

## **Question No. 1: Is this a good idea?**

On balance, most people think so. After all, renewable and alternative energy sources would allow us to emphasize what the U.S. does best – innovation and new departures in technology.

It does create some dislocation in those economic sectors that depend upon crude oil and coal – the primary targets of such a move (although clean coal technology is already becoming an alternative discussed at length in Pennsylvania, West Virginia, Ohio, and other states where King Coal still holds considerable sway).

Nonetheless – and this will be the focus of debate on this initial question – the move to a

preponderance of clean energy sources will create economic problems in areas where oil and coal are produced.

The social and policy calculus can hardly leave that out of the mix.

In short, there will be considerable politics played here, for the overriding reason I drum into my graduate students at the beginning of their education:

*There are no public decisions made that do not hurt somebody.*

That is what the balancing of interests inside the Beltway or in the corridors of a statehouse are all about. The great Speaker of the House Sam Rayburn said it most colorfully: “It all depends on whose ox is getting gored.”

First off, therefore, *if the folks in Washington are serious* (a big “if”), this will become a protracted political fight, a firestorm of debate and disagreement. There will need to be a clear national will here – one that obliges all concerned to transcend the regionalism and invective.

But let us say that such a will does emerge, we accept and support moving our power base to “clean” fuels, adopt new standards encouraging electric cars, and put a premium on renewables and “green” technology.

That leads to the second question.

## **Question No. 2: Is it attainable?**

Today, if one combines solar, geothermal, wind power, biofuels, hydropower, and biomass (yes, I put algae into this category), along with niche ideas like tides or even rain power, about 18% of the world’s electricity generation is included; for the U.S. it comes to about 11.5%.

The goal is to get 80% of our electricity coming from clean energy sources. And the time span is only 25 years. Can we pull it off?

And then there is the other matter – what do we include in “clean” energy?

If we include nuclear power in the calculations, the figures would rise to about 27% worldwide and 29% in the U.S.

There are countries relying much more on specific non-fossil fuel sources. Iceland, for example, provides 100% of its power needs from geothermal energy (the advantage of having active volcanoes close at hand), while France receives 70% of its electricity from nuclear reactors.

Yet in the U.S., it looks like we have a long way to go before that 80% figure is even on the horizon.

Increasing incentives would bring some high-end research into play, and that could improve the picture. But we need to understand up front that, while government grants can fund R&D, they are far less effective in providing the funds to revise much of the power infrastructure or delivery systems, and largely cannot bring new technology to market.

Some public decisions can set the stage in certain areas.

For example, Houston is embarking on a new grid of power stations to improve the usage of electric cars in the metro area, while decisions in San Diego (buses) and New York City (taxis) are providing alternatives to oil-fueled transport.

But the primary problems remain – what power can be used and where; who is going to pay for the infrastructure changes; and how will the new technology essential for this transition make it to market.

These elements of the challenge are where the real expenses are going to hit.

Make no mistake; government holds the key to a low-carbon world, but the private sector will have to lead the charge here.

Now the entrepreneurial spirit remains alive and well in America. That is a good thing, because we will need the bulk of it if this energy initiative has any chance of succeeding.

That spirit is also a nice segue into my third overall question about this “bold new clean energy world.”

### **Question No. 3: How can investors make money from it?**

Most of the new approaches fueling the spirit necessary to develop clean energy power sources, connect them to grids, provide a realistic market choice among alternatives, keep prices manageable, and improve distribution and energy use will be start-ups and low capitalized companies – many of them private.

That is of little help to the average investor, since these are not publicly traded entities.

Nonetheless, there is developing a cadre of companies that combine sufficient market penetration with technological innovations likely to benefit from the initiative.

Some of these are: **Nevada Geothermal Power Inc.** (TSX.V:NGP; OTC:NGLPF); **Rentech Inc.** (AMEX:RTK) in biofuel development; **OriginOil Inc.** (OTC:OOIL) in biomass; and new developments in clean coal technology, such as the new **GE Co.** (NYSE:GE) technology I discussed in [“New Technology Turns Coal Into Clean High-Powered Gas”](#), to name but a few.

The main interests in green renewables, however, remain solar and wind power.

On the solar front, I have addressed some major developments in issues of *Oil & Energy Investor*, like [“Major Solar Projects Get OK”](#), [“The Sahara Sun Could Power Europe”](#), and [“Can We Turn Solar Energy into Chemical Fuel?”](#).

Wind power carries some great potential in certain regions in the U.S. but also finds its front-end leaders in the breakthrough approaches only in small, micro-cap, private companies.

The exceptions are GE (with its major role in developing new generations of wind turbines) and foreign leaders such as Danish Vestas – look into it through **Vestas Wind Systems AS** (OTC:VWSYF), **Siemens AG** (NYSE:SI), or **Spanish Gamesa** (OTC:GCTAF).

One thing is certain: As companies take up the challenge, this is going to be a rapidly changing sector.

So there is one other way of tracking developments.

I would suggest following two exchange-traded funds: The **Market Vectors Global Alternative Energy ETF** (NYSEArca:GEX) and the **Powershares Cleantech ETF** (NYSEArca:PZD). The tradable shares of the up-and-coming solvent companies will be showing up on the listings of shares followed by ETFs like these two.

But remember, Rome wasn't built in a day. And neither will the new age of U.S. energy.

Sincerely,



Dr. Kent Moors

**From the Editor:** Kent has been showing readers dozens of ways to make money in the energy market – from oil and natural gas opportunities to little-known service companies that are driving industry costs down and profits up.

Yet his readers have requested more. They want to know what, specifically, Kent recommends investing in right now... where the “big” money will be made in energy. And I have responded... in a very big way. [Take a look.](#)

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*Dr. Kent Moors has been advising the world's largest and most active energy producers and buyers for 31 years, including six of the world's top 10 oil companies and high-level government officials from the U.S., Russia, Kazakhstan, the Bahamas, Iraq, and Kurdistan. Business clients include the Bank of England, Citicorp, AT&T, Deutsche Bank, the European Bank for Reconstruction and Development, the Russian Central Bank, and Westinghouse.*



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