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Renewable energy is no corn-fed fad

By Graham Bowley

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Trucks and trains carrying 100,000 bushels of corn a day shunt into VeraSun's 417-acre ethanol plant in a cornfield near Aurora, South Dakota. **VeraSun** buys the corn from local farmers in America's Midwest. It is milled, mashed, fermented with yeast, and distilled to make ethanol, a type of alcohol. Then the ethanol is shipped out by train, mixed with gasoline, and sold to motorists at filling stations as a green fuel for cars.

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New companies are springing up to meet this anticipated demand and investors are taking them seriously.

Investors include some well-known names. Last November Bill Gates' Cascade Investment fund bought an \$84m share in **Pacific Ethanol**, a California producer. Vinod Khosler, one of the founders of Sun Microsystems, has set up a fund that invests in renewable energy.

Even Richard Branson says he wants Virgin to consider producing ethanol somewhere in the US. Robert Wilder, whose WilderHill Clean Energy Index is one of several indices tracking the growth of the US market, says the alternative energy fund he runs had \$187m under management at the start of 2006 and by June had \$650m. "There are strong net inflows of about \$20m a week to the fund that tracks our index," he says.

The index rose dramatically to a peak in May this year but has sold off since then. It is still up by about 46 per cent since its launch in August 2004 and is up about 8.5 per cent over the last 12 months. The recent decline, Mr Wilder says, is in line with the general fall in stock markets and is to be expected in a young, volatile sector. "The gloom of late is serious yet vague and seems to extend to all areas of higher risk. Clean energy stocks are just the sort of smaller, riskier pure plays that get hit especially hard in these conditions," he says.

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