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COVER STORY

Who Says It's Not Easy Being Green?

Investing in environmental technology may be more rewarding under the new Democrat-led Congress

Seven months ago, the shares of alternative energy producers were on fire. But a jittery stock market and plunging oil prices sent them tumbling.

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The slump is encouraging some analysts and money managers, who say bargains abound for investors willing to take a risk on people's desire to save the planet. Strategists tend to look past more familiar names, such as Pacific Ethanol ([PEIX](#)) and Suntech Power Holdings Corp. ([STP](#)), in favor of niche players. But most agree that the new, Democrat-led Congress is likely to benefit everyone in the green arena. In the first few trading sessions after the November election, for example, the PowerShares WilderHill Clean Energy Portfolio, an exchange-traded fund of clean-energy stocks, rose 5%.

One of the best opportunities might be in lighting. About 30% of the nation's electricity is used to fire up incandescent bulbs that haven't evolved in a century, says Matthew W. Patsky, portfolio manager of the Winslow Green Growth Fund ([WGGFX](#)). One of his favorite plays is Boston's Color Kinetics Inc. ([CLRK](#)), which designs light-emitting diode systems. Analysts expect the company to boost earnings to 47 cents per share in 2007, up from an estimated 27 cents in 2006, as it broadens its client list.

Another company on the rise: Fuel-Tech Inc. ([FTEK](#)) in Stamford, Conn. Fuel-Tech makes products that reduce emissions from coal-fired power plants. Analysts expect its earnings to rise to 42 cents a share in 2007, from an estimated 27 cents in 2006, thanks to more contracts with utilities in Europe, the U.S. East Coast, and, soon, China. "We think there is an enormous opportunity in energy efficiency," says John Quealy, an analyst at Vancouver investment bank Canaccord Adams.

ONE WIND-POWER COMPANY THAT excites analysts is Zoltek

Companies Inc. ([ZOLT](#)) in St. Louis. Its lightweight carbon fiber is used in large wind-turbine blades. Analysts expect the company to book earnings of \$1.10 a share in fiscal 2007, up from 29 cents in 2006.

Diversification seekers might consider Energy Conversion Devices Inc. ([ENER](#)). Analysts view the Rochester (Minn.) company as a triple threat: It's a leading maker of solar panels, batteries for hybrid cars, and energy-efficient chips for electronic devices. Analyst Michael Horwitz at San Francisco's Pacific Growth Equities expects the company to earn \$1 per share next fiscal year, ending June, 2008, up from an 11 cents loss this year.

A more speculative and longer-term bet is Quantum Fuel Systems Technologies Worldwide Inc. ([QTWW](#)) in Irvine, Calif. This leading producer of automotive fuel cell systems has landed orders from General Motors Corp. ([GM](#)) and Toyota Motor Corp. ([TM](#)) recently, according to Brion Tanous, a research analyst at Merriman Curhan Ford & Co. ([MEM](#)). It may be years before hordes of Americans drive cars that run on hydrogen. But Quantum Fuel's stock is trading at \$1.74, less than a Starbucks ([SBUX](#)) latte. Isn't profit potential a better buzz?