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<http://www.moneyweek.com/file/32266/how-to-profit-from-oils-new-highs.html>

How to profit from oil's new highs

Got deja-vu yet?

This time last year, oil prices were blasting to an all-time high of \$78.40 per barrel.

And with Americans hitting the beach, it's happening again. The black stuff is creeping back toward that level.

Crude prices traded as high as \$73.80 today (Thursday 12th July) - up almost \$8 in just the last month. Sure, you can blame the Iraq war. You can blame the oil workers' strike in Nigeria. You can curse crazy ol' Hugo Chavez, stirring the pot in Venezuela.

But the main reason is much more simple than that. Supply and demand. And if you think it's bad now, it's only going to get worse...

"Increasing Market Tightness"

In February, the **International Energy Agency** (IEA), an advisor to 26 industrialized countries, said global oil demand would rise by 2% per year between 2006 and 2011. Not quite. The group had the calculators back out this week, making a 10% upward revision to that estimate, and now calls for a 2.2% demand spike per year between 2007 and 2012. That's an increase from 86.1 million barrels per day (bpd) this year to 95.8 million bpd in 2012.

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Renew And Conquer... The Buzz Is Getting Louder

While folks get all hot and bothered about oil prices rising again, it's sparked a fresh debate and rally in renewable energy resources. Yeah, I know... some people scoff at this, saying it takes too long to develop them and is too expensive. But if it helps wean America off its "addiction to oil" from the Middle East and also helps the environment,

what's not to like?

As technology advances and investment rises, it will become cheaper to develop and sell renewable fuels. And sure, it might take some time. But remember, it took two decades for automakers to convert from leaded gasoline to unleaded fuel before the trend became commonplace. But with more investment and better technology, there's a much harder push for renewable fuels these days, and it's catching on faster. If you don't believe me, just look at what the big boys are doing...

Follow The Smart Money To Smart Profits

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All told, renewable energy pulled in \$71 billion worth of investment in 2006, 153% more than the \$28 billion in 2004, according to the American Council on Renewable Energy. And the boom is reflected in the investment world, with the rapid growth of renewable energy funds and ETFs...

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So how do you profit from an upward price trend without having to fork out a big initial investment, incur costs, and have little flexibility when it comes to buy/sell decisions?

The answer is exchange-traded funds (ETFs). On the oil side, the **Energy Select Sector SPDR** ([AMEX:XLE](#)), a basket of the biggest oil and oil service companies that includes ExxonMobil, ConocoPhillips, Chevron and Devon Energy. And on the alternative fuel side, the **Powershares Wilderhill Clean Energy Fund** ([AMEX:PBW](#)), a basket of stocks geared towards cleaner, renewable energy. This includes Kyocera, Color Kinetics, Echelon Corp, Cree Inc, Cypress Semiconductor and Sunpower Corp. Because why invest in just one industry when both are performing well?

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