

LAWRENCE ROULSTON INTERVIEW:
AN OVERVIEW OF ALTERNATIVE ENERGY

Lawrence was recently interviewed by the organizers of the Las Vegas Money Show in connection with his presentations at that event in early May. Following is that part of the interview relating to alternative energy.

Money Show: Thank you for joining me, Lawrence. You recently launched a new newsletter, GreenTech Opportunities, in which you plan to focus on alternative energy. A couple of years ago, alternative energy investments were the rage, with scores of ethanol and solar companies scoring huge momentum rallies, only to be left out in the cold a few months later. Will you tell our readers why this time around might be better for alternative energy investments?

Roulston: The biggest problem for most investors is that they often don't hear about a particular investment sector until it gets into the popular media. By then, the good companies are trading at high prices. That's when the "me-too" companies pop up. Many of those companies fade away, along with the media hype.

Beyond the hype, there are real companies that generate real returns for investors. For example, First Solar went public late in 2006 at \$20, and traded up to \$300 last year. The world-wide market crash brought it down and it is now around \$130. Even after the crash, that's a nice return for the early investors.

Unfortunately, this time will be exactly the same as before. There will be countless companies that jump into the alternative energy arena. Their share prices will be pushed higher by the intense media attention that this sector will receive. Investors that get in early on a momentum play can do well. But the real gains will go to the companies that achieve real results. Our objective with GreenTech Opportunities is to help investors to identify which companies have the best prospects of achieving real progress that will build shareholder value.

Money Show: Many other countries are much further along in green energy development than the US. Do you have any favorite global alternative energy stocks that our readers should know about?

Roulston: You're right; other parts of the world are years ahead of the U.S. President Obama has outlined an aggressive campaign aimed at helping the U.S. to catch up to other areas. There are several companies in Europe that are well established in alternative energy that have suffered big drops in share price. We are now evaluating those companies to investigate the prospects for near term recovery.

Money Show: Which sectors do you believe have the most potential for investors? And why?

Roulston: Most of the investment dollars will go into energy production companies, whether wind, geothermal, solar, small hydro or other forms of energy. The production companies at present rely on incentives paid for green energy to offset the higher costs. On the basis of the incentives, the production companies can be expected to generate utility company-type returns, which will be very appealing to many investors, especially after what we've been through in the past year.

All of the alternative energy forms need technology enhancements to make them competitive with traditional energy sources. We are targeting companies that are working on enabling technologies that are applicable to green energy production AND also looking at innovations in energy conservation. So much of the focus is on energy production. It's actually far more cost effective to conserve energy than to produce more. There are some very interesting conservation technologies that are emerging.

The research and development area pushes an investor way out on the risk/reward scale. For anybody who can stand the risk, the reward potential of research and development companies is very exciting.

Money Show: Are there any particular companies that have caught your attention?

Roulston: We are looking closely at numerous companies. Some are private, some trade on the exchanges. Over the next few weeks, we expect to complete due diligence and start publishing on specific companies. There are some truly extraordinary opportunities.

Money Show: The peak oil debate continues, with estimates ranging from this year to more than a dozen years out. Please explain the major consequences of this event and what type of investment opportunities may arise as we journey toward that as-yet-unknown date.

Roulston: It's unfortunate that something as basic as this turns into an emotional debate.

For decades, oil production has steadily increased. New oil discoveries are made every year, and geologists will continue to make new discoveries for decades to come. But, production from existing oil fields is steadily declining. A great deal of the new production brought on stream each year merely replaces production declines. After decades of intense exploration efforts, the pace of new discoveries has fallen sharply. With fewer new discoveries, it becomes more difficult to bring on new production fast enough to offset production declines and continue to increase production.

Alarmists paint a picture of a peak, followed by a sharp decline. A more likely scenario is a long plateau. Massive investments in new production will see the current level of oil output maintained for many years, but production will no longer be rising.

The concern comes in the fact that the population of the earth continues to grow and energy consumption per capita continues to grow. For decades, the oil industry has been able to expand

production quickly enough to match the growth in demand. In the very near future, for the first time, output will not expand at the same pace as demand. With a shortfall in supply, the oil price will once more rise, as it did last year, but next time the gain will be long term.

Money Show: The tremendous growth in emerging markets over the last decade created incredible demand on energy. And although China's growth projections for 2009 have been reduced, to about 6%, that is still a healthy number. What specific investment opportunities do you see from the resurgence of markets in China, as well as other emerging market countries?

Roulston: Not everybody realizes that China is now the third biggest economy in the world, and even at a "slow" rate of growth, it's expanding at 6% a year. In fact recent forecasts have bumped the forecast for this year to 8%.

The average person in China uses about 6% of the amount of energy of the average American. The average Indian uses even less. There are more than 3 billion people in the developing world who are increasing their energy usage.

It is physically impossible with existing technology for everyone in the world to come anywhere close to the American energy usage level. But, the world is moving in that direction.

One can summarize the energy story quite simply: The population of the world is growing rapidly. The average energy consumption for the majority of the inhabitants of Planet Earth is increasing steadily. While demand for energy will inevitably continue to grow, the biggest supply of energy, crude oil, is facing a limit to growth within the not too distant future. It is clear that we need to enhance our efforts to develop alternative sources of energy AND to find ways to use energy more efficiently.

The best play on growth in emerging markets is commodities and in particular, on companies involved in producing and finding commodities. Personally, I see the development of alternative energy technology and resources as the best ways to benefit from continued growth in China.