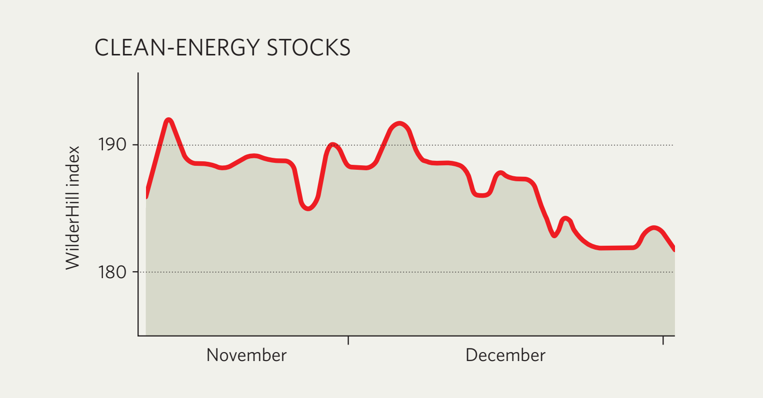
MARKET WATCH



2006 drew to an unusually quiet close in the normally volatile clean-energy sector. With no big movements in the oil price the market ran fairly flat — as it had done for much of the second half of the year.

But that stability won't last long into 2007, predicts Rob Wilder, chief executive of San Diego consultancy WilderShares. His firm runs the WilderHill Clean Energy Index (see graph), which tracks the performance of a basket of US-listed firms with strong interests in energy sources not based on fossil fuels or nuclear power.

Wilder notes that the new, Democrat-controlled US Congress is likely to turn national attention towards both energy security and global warming in the new year. The forthcoming publication of the fourth report of the Intergovernmental Panel on Climate Change will doubtless have the same effect — and could also help clean-energy stocks. There are risks, however: last week, the oil price began to tumble and that could scare some investors away from alternative-energy stocks. Either way, Wilder says, "it is highly unlikely that the sideways movement of the index will continue".

Michael Liebreich, chief executive of London-based New Energy Finance, agrees that there could be turbulence ahead for clean-energy stocks. The sector needs three things to happen for sustained growth during 2007, he says: investors not to overinflate prices; governments not to oversubsidize new energy sources; and the industry to build up its supply capacity. "These are the areas where we don't want to see any car crashes," Liebreich says. ■

Colin Macilwain