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Warren Buffett's Big Solar Play

Warren Buffett stole headlines this week with the announcement that MidAmerican Energy Holdings, a **Berkshire Hathaway** branch, was venturing heavily into the solar energy sector.

Fans of the billionaire investor may be tempted to follow his company's lead and load up on alternative energy at this time. However, taking into consideration the current market environment, this is one Buffett play I urge conservative investors to monitor from the sidelines.

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The company responsible for putting Topaz on the selling block — industry leader **First Solar** — will maintain involvement with the project.

According to a report from Bloomberg, the firm has agreed to build and operate the goliath plant for the Iowa-based Berkshire holding company. This is Berkshire Hathaway's premier venture into the solar realm.

It is not, however, the first time that the Oracle of Omaha has expressed interest in alternative energy. Berkshire Hathaway has also become a major player in the wind industry.

In the investor's 2011 shareholder letter issued to at the start of the year, Buffett forecasted that the wind generation MidAmerican would have in operation by the end of the year would surpass 2,900 megawatts.

According to the investor, this is, "more than any other regulated electric utility in the country." In addition, the investor's substantial investment in Chinese car-maker, BYD, has put him on the front lines of the growing electric automobile industry.

Shares of First Solar gained over 4 percent on Wednesday

following news of Buffett's Topaz investment. This upward action is welcomed.

However, the firm still has a staggering amount of ground to cover. Throughout 2011, shares of FSLR have stuck to a steep downward path resulting in year to date losses of nearly 65 percent.

First Solar is not alone, however.

The issues including the ongoing European economic crisis, debt concerns in the U.S., and fears of slowing growth in the emerging world have come together to create a treacherous environment for solar companies around the globe.

Since the start of the year, the wide-reaching ... **Solar ETF** ... has slid nearly 60 percent. Other ETFs linked to alternative energy have fared poorly as well.

The ... and **PowerShares WilderHill Clean Energy Fund [PBW 5.0511 0.0211 (+0.42%)]** have fallen approximately 20 percent and 46 percent, respectively, over the course of 2011.

There is a chance that Buffett's latest purchase will be enough to inject some life back into the battered solar energy industry. Investors, however, should be wary of diving in at this time.

We have seen in recent months the impact soured market sentiment can have on the performance of inherently volatile alternative energy companies. Many of the factors that have weighed on firms like First Solar in 2011 remain in play.

There is a good chance that, as we prepare to ring in the New Year, ... and **exchange-traded funds** such as ... could continue to behave in a turbulent manner.

Given his substantial wind and solar investments, it has become clear that Buffett has a favorable outlook for alternative energy industry.