

Excerpt from CNN Money, December 27, 2006

http://money.cnn.com/2006/12/27/news/companies/energy_winners_losers/index.htm?source=yahoo_quote

Energy's winners and losers in 2006

Oil majors, niche ethanol firms clean up; hydrogen companies continue to bleed. Plus, what to watch for in 2007.

By [Steve Hargreaves](#), CNNMoney.com staff writer

NEW YORK (CNNMoney.com) -- Even with oil prices little changed from the end of 2005, 2006 was still a very good time to be an energy investor.

The AMEX oil and gas index is up nearly 14 percent in the year to date, while the electric utility index on Baseline is up 17 percent, and the Wilder Hill clean energy index is up about 6 percent.

But within these broad categories, which companies pulled the weight, which were laggards and what trends can investors look forward to next year?

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Going grain

In the renewable field, 2006 was the year of ethanol. Several companies went public this year, including the nation's No. 2 producer [VeraSun](#) ([Charts](#)), which debuted near the peak of the ethanol craze in June at around \$28 a share, well above its target price.

Yet, VeraSun fell steadily for several months after its IPO, and most other ethanol stocks have cooled considerably since their spring highs as the challenges surrounding the product - producing it cheaply, shipping it, finding enough raw materials - sink in.

Still, a subset of companies specializing in making enzymes for ethanol production - a critical step where there is room for big cost cuts essential to commercialize cellulosic ethanol, which promises the ability to replace gasoline on a much larger scale - have made astounding gains.

[Diversa](#) ([Charts](#)) and [MGP Ingredients](#) ([Charts](#)) are two of the best performers on the Wilder Hill clean energy index, a 43-company index that

covers all types of clean energy firms. Diversa stock is up 108 percent, and MGP has risen 81 percent.

Other top performers on the index: [MEMC Electronic Materials \(Charts\)](#), which makes solar panel components, and [OM Group \(Charts\)](#), which supplies specialty metals for batteries.

While the push to renewable energy is helping these stocks, they may also have benefited from silicon and commodity prices in general this year.

At the bottom end of the index lies hydrogen companies. [Hydrogenics \(Charts\)](#) lost 60 percent, while [Quantum Fuel Systems \(Charts\)](#) has fallen 37 percent. Hydrogen firms, said Rob Wilder, manager of the index, are having trouble as they attempt to commercialize an expensive product with hardly any distribution system.

"There's just been this steady cold rain of reality," he said.

By contrast, Wilder expects ethanol firms to continue doing well in 2007 as the Democrats, seen as more keen on government subsidies for the fuel, take control of Congress.

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