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Handicapping green investments is no snap

By Barbara Wall

The buzz words "climate" and "change" have been appropriated by the funds industry to market a new line of "green" equity products. But is this investment concept hot enough to coax investors back into markets that are buckling under more pressing financial concerns?

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The Nex index, which charts the performance of clean energy stocks, is down 25 percent from its peak in November.

Angus McCrone, an analyst at New Energy Finance, a financial research concern in London that publishes the Nex index, said the solar sector had borne the brunt of the losses - reflecting the fact that it was the sharpest gainer in 2007. **Suntech Power,** a Chinese solar manufacturer and a popular investment with eco-minded fund managers, has seen its price/earnings ratio shrink to 23 in March from a high of 75 in December.

Wind energy stocks have held up better as the most mature alternative energy technology, but even here there have been casualties, McCrone said.

Despite difficult trading conditions the investment case for global warming still seems to be intact. A recent report compiled by Ernst & Young indicated that business related to the sector could bring in $750 billion in revenue by 2016.

But while there is little evidence of mainstream fund managers incorporating climate change in their investment strategies, the industry's big guns are taking note. Lehman Brothers has responded to questions about the economic impact of climate change by publishing a weighty report on the subject. "The Business of Climate Change" concludes that share prices will increasingly be affected by companies' environmental performance, including their emission of greenhouse gases. Crucially, the did not single out the stocks that would benefit most.

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