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<http://beta.fool.com/brewcrewfool/2013/03/19/this-etf-is-a-case-study-in-de-worsification/27208/?source=eogyholnk0000001>

This ETF Is a Case Study in “De-worsification”

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The world’s growing emphasis on, and use of, clean energy has been a long-followed story that most people believe will continue in the future. Does this qualify as the basis of a broad investment thesis similar to the growing demand for water? Perhaps, but further analysis is warranted. With this in mind, here is a deeper look into Powershares Wilderhill Clean Energy. To start, here’s a five-year chart showing ...’s performance in relation to the S&P 500:

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In hindsight, a lot went wrong to drive ...’s massive underperformance. At the top of the list, macroeconomic conditions and government budget crises put many clean energy projects on hold as subsidies dried up and more cost-efficient (and less green) energy projects were chosen. With the pressure of budget constraints and lack of government subsidies, green energy projects focused on solar, wind, and other sources quickly lost momentum.

Clearly, clean energy initiatives have not gone away; however, the funding behind many of the projects has either been postponed or reduced.

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Competition in the larger energy industry has further pressured clean energy providers, resulting in pricing pressure that has significantly hurt the sector’s ability to increase profits. Solar module maker ... is a well-publicized case study in how competitive pressure combined with overcapacity can result in disastrous investment returns.

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Additionally, the competitive and budgetary pressures that popped the clean energy bubble still remain, so even the companies on more solid financial footing will not have an easy climb back to profitability.

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A less risky investment in clean energy is transmission company ... is often overlooked because it operates in the “boring” world of electricity transmission, but connecting clean energy projects to the grid while enjoying favorable government regulation has proven to be a profitable business for ...

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