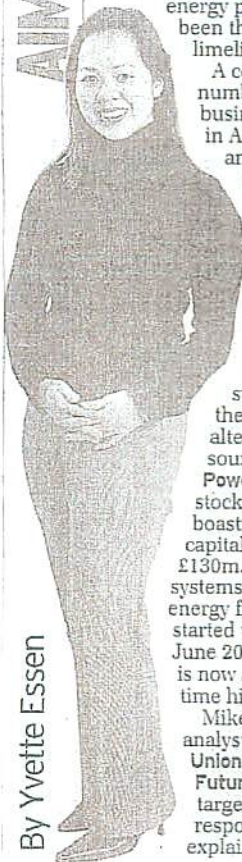


Alternative energy companies are having a clean sweep

AIM MARKET



By Yvette Essen

WITH soaring gas and electricity prices dominating the headlines, it should come as no surprise that companies offering renewable and alternative energy products have been thrown into the limelight.

A considerable number of such businesses are found in Aim's electronic and electrical equipment sector, which has become home to 36 companies worth more than £800m. One company that has seen its share price surge following the recent quest for alternative energy sources is ITM Power, the biggest stock in the sector boasting a market capitalisation of around £130m. It is developing systems to harness energy from hydrogen. It started trading at 50p in June 2004 but at 146½p, is now around an all-time high.

Mike Appleby, an analyst for the Norwich Union Sustainable Futures funds, which target socially responsible investors, explains why

companies such as ITM have become so attractive. "Fuel cells are an innovative way of storing and producing electricity and heat, and new technology is moving fuel cells closer to commercialisation," he says. "They have some major advantages over conventional power generation, such as high efficiency at converting fuel like hydrogen into electricity and heat, and producing low emissions compared to conventional power generation."

Mr Appleby cautions that "much of the innovation is in the research and development stage and commercialisation - and profits to reward an investor - seem about three to six years away". However, he adds that Norwich Union is closely watching both the market, and companies such as Ceres Power, which generates electricity and heat in the home.

Raymond Greaves, head of research at Collins Stewart, says he is "fairly sceptical of the fuel cells area as they were invented in 1839 and have promised much but delivered little ever since". However, he thinks Ceres and PolyFuel offer good commercial prospects. "We believe Polyfuel's membrane technology will enable power-hungry mobile devices such as phones and laptops to be powered by fuel cells in the very near future."

Mr Greaves also rates wave power group Ocean Power Technologies because it has

proved its technology works very well, although it still needs to be scaled up to be commercially attractive. "Wind turbines only work for around eight hours a day, and yet, with subsidies and the carbon emission certificates regime, there is quite a good case for wind farms."