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Will Green Energy Crush Oil Investment Returns? ...

As oil continues to skyrocket to nearly $100/barrel, alternative energy companies might slash into the profits of oil titans and provide the most lucrative investment for 2011 and beyond.

While the price of oil is subject to much short-term volatility, peak oil – the idea that the maximum point of oil extraction from the earth has been reached – is becoming a legitimate concern for environmentalists, policymakers, and households. Peak oil would drive oil prices up permanently, thus making alternative energy more attractive. While some forecasters suggest peak oil has already occurred and others suggest the peak coming five decades into the future, a new “green” culture has already emerged, and trading opportunities have arisen.

According to The International Business Times, Goldman Sachs (NYSE: GS … and Morgan Stanley (NYSE: MS) expect oil prices to rise by to over $105/barrel and $100/barrel, respectively, in 2011. Late December marked new highs for oil at $89.54/barrel, a high not seen since October of 2008, according to The U.S. Energy Information Administration.

As prices rise in one sector, the market for substitutes is increasingly essential. As alternative energies slowly become more economical to produce and as oil prices increase, the attractiveness of alternative energies is exposed. According to Benzinga, prices at the pump will continue to rise well above $3.00/gallon at the pump in 2011. Though alternative energy is still an expensive option for consumers, it is likely that they will gain more exposure and prevalence in the markets as the global economy is faced with not only current rising oil prices, but possibly peak oil.

In addition to quantitative forecasts for future oil prices, the relatively new subculture created as a result of heightened environmental awareness will continue to divert concentration from fossil fuels to renewable energies. Already in place is the “Gas Guzzler Tax,” enacted by the Environmental Protection Agency, which fines new car manufacturers that fail to meet the 22.5 MPG standard for its vehicles. The obvious goal of this tax is to decrease production and consumption of fuel-inefficient vehicles.

Trading ideas: While you may consider taking a position in the big oil companies such as Exxon Mobil (NYSE: XOM) or an oil ETF, also consider PowerShares WilderHill Clean Energy Portfolio (NYSE: PBW), an ETF with holdings in companies engaged in the development of clean energy and conservation. Another ETF to think about is ….

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