Excerpt from Motley Fool, February 10, 2011
http://www.fool.com/investing/general/2011/02/10/3-possible-etf-winners-from-a-shift-in-hybrid-tax-.aspx

3 Possible ETF Winners From a Shift in Hybrid Tax Credits

Despite a push for greener technologies across the board, consumers have been relatively slow to adopt electric cars here in the United States. In fact, only 1.5 million hybrids are currently on the roads in the country out of a total 250 million cars overall, while all-electric cars make up an even smaller amount that is more or less a rounding error when considering the overall car market. A major reason for this slow transition, in addition to the weak economy, has been the prohibitively expensive cost of these new vehicles. The difference between a hybrid version and the traditional one for the same make and model of a car is generally $5,000 if not more, depending on the quality and type of product in question, making it an easy choice for the cost-conscious consumer.

This is the reality for many, even though generous tax breaks exist, and gasoline prices are once again surging higher thanks to near $100/bbl. oil., two factors which have increased the appeal of switching over to hybrid or even all-electric vehicles. In an effort to boost the adoption of electric and hybrid vehicles and quicken their spread, legislators out of Washington have come up with a way to put money in consumers' pockets quicker and thus hopefully, spur more people to buy cleaner cars [read the Definitive Guide to Clean Energy ETFs].

Current tax incentives for the purchase of all-electric cars and plug-in hybrids include up to $7,500 in tax credits at the federal level and a host of state-based incentives as well, including $5,000 in California, for example. However, the main downside to this system is that it requires individuals to wait to receive this at tax time, an event that can be more than year away depending on the time of year that the car is purchased. As a result, several legislators have proposed a system in which consumers would get the tax credit immediately upon purchase -- right off the sticker price. This effectively turns the tax credit into a rebate, potentially playing off consumer psychology in order to get them to feel more comfortable with the now much more reasonable price tag [also read Will Toyota's Plans Sink Rare Earth Metal ETFs?].

While the logistics of this plan are still under consideration -- some believe that the program would call for car dealers to "receive" the credit and get the cash payment from the government after giving the credit to consumers -- it could quickly change the alternative car market and rapidly increase the adoption of these vehicles, especially if oil remains elevated and the economy continues to improve. Should this plan be approved in the halls of Congress and be implemented at some point this year, it could be great news not only for car manufacturers but a variety of other companies that could see demand for their key products soar. Everything from lithium-ion battery makers to circuit and energy efficiency companies stand to reap the benefits of greater demand for electric and plug-in hybrid vehicles. As a result, we look for the following three ETFs to be among the biggest winners should this proposal take off as many are anticipating.

....

PowerShares WilderHill Clean Energy Portfolio (NYSE: PBW) Although this fund has heavy exposure to companies that are engaged in the development and production of cleaner fuel sources such as solar and wind power, PBW will likely benefit from a surge in electric car usage as well. Much like LIT, PBW offers investors high levels of exposure to the industrial materials industry which looks to gain in importance should the demand for electric cars take off. Both of its top two components are in this market segment; Rare Element Resources and Chile's SQM, providers of, respectively, rare earth metals and lithium, two key components in a variety of alternative energy technologies that are found in a variety of electric and hybrid cars. Additionally, top ten component **Maxwell Technologies** (Nasdaq: MXWL), a maker of "ultracapacitors" could also see a boost from widespread adoption of its technology which transfers power from the brakes to the battery in order to squeeze more life out of a charge. Clearly, if the plans for a change in taxes takes off look for PBW to benefit thanks to its heavy focus on companies engaged in a variety of auxiliary industries to the automotive sector [see charts of PBW here].