

Modeling Alternative Energy Investment
by
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Abstract

Renewable energy is seen as a principal solution to the imminent peaking of crude oil reserves. This paper models the relationship between alternative energy stocks, technology stocks, the interest rate and three primary fossil fuels: oil, natural gas and coal. A six variable vector error correction model is performed on the data followed by an analysis on the impulse response functions. Results indicate that the performance of technology stocks have the largest dynamic effect on alternative energy stocks, while oil price shocks affect alternative energy investment on a smaller magnitude. The shocks to coal and gas were found to be insignificant in explaining alternative energy investment.