

Boarding the bandwagon of T. Boone Pickens

By Peter Degraaf

By now everyone has heard or seen the T. Boone Pickens commercials. His advice is to "drill, drill, drill" for oil and to steer the U.S. energy needs away from foreign oil.

In order to help accomplish this goal, Mr. Pickens has built a large windmill farm in Texas. In addition, he advises energy users to switch from diesel fuel and gasoline to natural gas.

His advice works hand in glove with a decision made earlier this year when California embraced a concept entitled The Clean Air Action Plan. Within three years this plan calls for a 47 per cent decrease in emissions of diesel particulate matter from shipping- and trucking-related activities in the Ports of Los Angeles and Long Beach.

The plan also calls for a reduction in smog-forming nitrogen oxide by 45 per cent and intends to achieve at 52 per cent reduction of sulfur oxides.

These two ports handle the majority of goods that are imported from Asia, and as many as 16,800 "Class 8" tractor trailers are involved in hauling the heavy containers that are off-loaded from ships.

The company that supplies many of these trucks is Kenworth, and in compliance with the "clean air act," it is now supplying trucks with clean-burning engines, instead of the polluting, diesel engines that have been in use for many years.

Kenworth has won many industry awards and is known for delivering quality trucks to the trucking industry. Since it is owned by another company, (PACCAR), it is unlikely that investors can benefit from the trend towards cleaner engines by looking for an investment in Kenworth trucks. We need to follow the trail a little further back for that.

There are two companies involved in this process that may be of interest to people who are interested in following in the footsteps of T. Boone Pickens.

A Canadian company produces the engines that are mounted in Kenworth trucks. The name of the company is Westport Innovations Inc. (WPT-TSX, \$10.89), of Vancouver, and on Aug. 18 it began trading



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on the NASDAQ under WPRT.

Westport is a leading global supplier of proprietary solutions that allow engines to operate on clean-burning fuels such as compressed natural gas, liquified natural gas, even hydrogen and biofuels such as landfill gas.

The potential is huge! In California alone, it is estimated that over 5,000 trucks will be converted from diesel to liquefied natural gas in the near future.

In January 2008, the Ports of Los Angeles and Long Beach formed a \$1.6 billion "Clean Truck Superfund," to gradually replace many of the truck engines operating there. As goes California, so goes the nation. How long before east-coast ports and Gulf ports follow suit?

Westport is in an ideal position to gain from this trend, and Mr. Pickens is aware of that and has bought 12 per cent of the shares of this company.

Westport has been working on solutions for almost a decade. The company claims to have more experience than any other engine developer in the world when it comes to modern "high pressure direct-injection gaseous-fuel systems."

Westport engines can be retrofitted in current diesel trucks and to begin immediately saving money for the truck owners. These engines offer the same horsepower, torque and efficiency as the base diesel engine they are replacing. The savings will be in the fuel used. Tests have shown that the savings can be as much as 25 per cent.

Ford and BMW are working with the company on technology that enables injection of hydrogen at high pressure directly into the combustion chamber of an internal combustion engine.

Over time, as the world moves towards hydrogen to replace gasoline, it is expected that a new hydrogen-engine infrastructure will replace the current gasoline network, just as electric lights replaced coal-oil lamps many years ago.

Already in California and British Columbia work has started on "hydrogen highways" utilizing natural gas and hydrogen-enriched compressed natural gas.

Westport expects to be well positioned to compete. Adding hy-

drogen to natural gas improves combustion. Westport's technology allows engines to operate with higher air/fuel ratios that improve performance and reduce emissions significantly.

In addition to orders from Long Beach and Los Angeles, CleanAir Logix of Oakland has just ordered nine Kenworth T-800 heavy duty liquified-natural-gas trucks that feature Westport's high pressure direct-injection technology for use at the Port of Oakland. The port will use the trucks for hauling containers to and from the seaport.

Westport has several joint ventures on the go. In 2001, Westport teamed up with Cummins Inc. (CMI-NYSE, \$53.43). Cummins-Westport manufactures and sells the world's broadest range of low-emission alternative-fuel engines for commercial transportation applications such as trucks and buses. Cummins-Westport has the exclusive worldwide rights to develop and market natural gas and propane versions of Cummins mid-range (5.9-8.9 litre) engines for automotive applications, typically used in trucks and buses.

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Cummins-Westport is a self-contained entity, but has the right to use the extensive global manufacturing, distribution, service and support assets owned or controlled by Cummins.

Cummins-Westport engines are sold and serviced through the Cummins world-wide distribution network of more than 550 company owned and independent distributors and 5,000 dealer locations in over 160 countries. The Cummins network is claimed by the company to be the largest engine service and support network in the world.

Westport also has joint ventures in place with several Chinese companies. Through these joint ventures, Westport manufactures and sells fuel tanks for vehicles, along with natural-gas engines, of which 2,400 are currently in service in China.

Vancouver is gearing up for the 2010 Winter Olympics. In partnership with Westport the city has requested four buses running on hydrogen-enriched compressed natural gas. This pilot program could lead to all of Vancouver's buses eventually switching to it.

Wal-Mart is also involved and is presently testing four trucks using liquified natural gas.

The Westport website www.westport.com allows interested investors to sign up for periodic e-mail updates.

Our search now leads us to another company that is intimately involved in the Pickens plan: Clean Energy Fuels Corp. (CLNE-NASDAQ, \$15.52). Headquartered in Seal Beach, Calif., this company provides natural gas for vehicle fleets in the U.S. and Canada.

It designs, builds, finances and operates the fuelling stations that are part of the program destined to change trucks, automobiles and buses from diesel and gasoline to natural gas. The network of gas stations has already mushroomed to over 170.

Clean Energy Fuels is the largest provider of natural gas for transportation in North America with a broad customer base in the refuse, transit, ports, shuttle, taxi, regional trucking, airport and municipal fleet markets.

The company is teaming up with a number of companies and municipalities, such as Seal Beach, which has awarded CLNE a 10-year contract to supply its growing fleet of 340 garbage trucks with liquified natural gas.

Clean Energy Fuels started producing liquified natural gas in May 2006, and since T. Boone Pickens started the company and is currently a 55 per cent owner, the plant is called the "Pickens plant." It is located 60 miles north of Houston, Texas. A second plant is in the planning stages for the Western U.S. CLNE currently buys compressed natural gas from local utilities, as demand for its product exceeds the production from the Pickens plant.

The plant can produce 100,000 gallons of vehicle-grade liquified natural gas per day. Happy trading!

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