The Price of Oil and the Returns of Alternative Energy Companies: A Firm-Level Approach

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ABSTRACT
This paper examines the impact of changes in oil prices on the returns of alternative energy companies. Using the individual companies included in the Wilderhill Index from Quarter II 2009 to Quarter II 2017, this paper shows that accounting for firm-level dynamics is important for capturing the impact of changes in oil prices on the returns of alternative energy companies’ stocks. For instance, most companies in “cleaner fuels” and in “energy harvesting” exhibit sensitivity to fluctuations in oil prices. Meanwhile, only some companies in the business of power delivery react to oil market changes. Yet, companies in the business of energy conversion, energy storage and greener utilities do not generally show sensitivity to oil market fluctuations. Finally, the results in this paper suggest that the relationship between oil price fluctuations and the returns of alternative energy companies changed after the collapse of oil prices in the summer of 2014.

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