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ABSTRACT

There is a debate among economists and others over whether natural gas is a true source of alternative energy. While natural gas is admittedly a fossil fuel and nonrenewable, it is relatively inexpensive, burns cleanly and exists in abundant supply. The purpose of this study is to examine the issue from an investor's perspective. Specifically, we examine the relationship between an index of common stock prices in the alternative energy sector and an index of natural gas company stock prices. We further use a variety of explanatory variables to describe the indexes of the two sectors. Explanatory variables include the weekly closing values for a variety of interest rates, the price of crude oil, the price of natural gas, various equity index prices, the dollar index, the CRB index, the price of gold, and the SP500 stock index. A sample of week ending values of alternative energy ETF prices is used as a proxy for the alternative energy sector. An index of natural gas company stock prices is used as a proxy for that sector. Data was taken from March 2005 through June 2012. Correlation coefficients were computed to determine what, if any, relationships exist among the variables. Multiple linear regression techniques were then used to find the variables that best explain alternative energy sector stock prices and natural gas stock prices. Preliminary results indicate a significant positive relationship between the stock prices in the two sectors.