

Hodge, Nick – Energy Investing For Dummies

John Wiley & Sons, 2013, [Equity Investing] Grade ★★☆☆

Most For-Dummies-books will take you far beyond the dummy level. This one is no exception. Nick Hodge is an author of multiple books on energy investing and also one of the editors of the energy-investing site Energy & Capital. Several of the other editors have helped out writing *Energy Investing For Dummies*. Quoting from the cover the book it “*explains the ins and outs of all energy sectors and how to incorporate them into business and investment plans, [...] you’ll find the important information and advice you need to integrate the three big markets - coal, natural gas, and oil – into your investment portfolio.*” It should be added that the book targets the private investor. Which is not to say that an institutional investor cannot learn anything though.

After an introductory overview section four sections follow on the main assets within energy; 1) oil and gas, 2) coal, 3) nuclear power and 4) renewable energy including solar, wind and geothermal. Given that the author previously has written several books on investing in the renewable area you could suspect a certain bias, but even coal gets a fair trial.

The introduction is both a prelude to the rest of the book giving context and a summary of what will follow. Through a short but interesting historical exposé of human energy usage the reader learns to appreciate the tight relationship between progress, civilization and energy usage. The constantly growing energy usage is certainly easier to understand with this background. The reader is also given a short tour of the supply of and demand for energy, the most important organizations that influence the market and provide investors with information. Hodge also provides an introductory text on investing in energy. The investment advice is quite basic stuff like how to set up a broker account and how to think about investments in general.

The set up for the following sections covering the various assets is broadly similar. The chapters include how the asset is produced, mined etc., which countries that have the most reserves, how the asset is used, what the drivers of demand are, the impact of politics, who the large users are, specific technologies and sub-segments plus plenty more. Already in the introduction section basic concepts like for example Btu (British thermal units) and mtoe (million tones of oil equivalent) are presented and in the following sections the measures and concepts specific for each assets are presented. The section on renewables is slightly different as it has a good chapter on energy efficiency – a sometimes-neglected factor when it comes to forecasting future demand for energy. There is also a chapter on vehicles discussing biofuels and electric cars.

My main objection is that the information on the underlying technologies of the energy markets often is quite rudimentary. Yes, it’s obviously an introductory text but it’s also a 320-page thick book and I would have preferred a different allocation of space. Instead a lot of effort is spent on presenting tips on which stocks and other investment vehicles to potentially invest in each energy source. This advice definitely risks becoming obsolete in something with such a relatively long shelf life as a book. Also, ancillary areas like oil services, transportation and refining are left out. The book is a good overview written by obviously knowledgeable and seemingly objective authors, but at times the set and repetitive formula of each section makes the book loose some of its nerve.

As an introduction and a teaser this book will work brilliantly. The knowledge seeking investor will however start looking for the next and more comprehensive book on the energy sector.

Mats Larsson, April 25, 2015