

Thematic Investing | Renewable Energy



Overview

As the world continues to move away from fossil fuels, it is expected that renewable energy will be used to fill the void. Renewable energy involves using energy from renewable resources that are naturally replenished. The four main types are solar, wind, hydro and tidal energy.

Investment funds are increasingly having ESG requirements in their mandates which should boost the demand for renewable energy stocks. There are also regulatory requirements and pressure on governments to speed up the transition from fossil fuels to renewables. This should see an increase in funding and subsidies provided to these companies.

There are a number of different types of renewable energy and within each type many different companies aiming to become key players in this evolving industry. This industry also relies heavily on technology with relatively high barriers to entry. Investing in renewable energy is vital for a sustainable future. According to the International Renewable Energy Agency (IRENA), renewables accounted for 82% of global new power capacity in 2020. Renewable energy investments reached \$303.5 billion in 2020¹, reinforcing their role in curbing emissions, creating jobs, and promoting energy security.

Benefits

- **Climate change mitigation:** Renewable energy sources reduce greenhouse gas emissions, mitigating climate change and supporting the transition to a low-carbon future.
- **Energy independence and security:** Investing in renewables decreases reliance on fossil fuel imports, enhancing energy independence and security.
- **Job creation and economic growth:** The renewable energy sector creates jobs, stimulates local economies, and fosters innovation, contributing to sustainable economic growth.

Challenges

- **Cost competitiveness:** Overcoming the initial high capital costs and achieving cost parity with traditional energy sources can be challenging for some renewable technologies.
- **Intermittency and grid integration:** Managing the intermittent nature of renewable sources and integrating them into existing power grids require robust energy storage and grid infrastructure upgrades.
- **Policy and regulatory uncertainties:** Shifting policy landscapes, changing incentives and uncertain regulatory frameworks can pose challenges and create investment uncertainties in the renewable energy sector.

Shortlist of ETFs gain exposure to this theme

| Ticker | Name | Net Assets (US\$)* | Holdings* | Fee* | Link to Factsheet |
|---------|---------------------------------|--------------------|-----------|-------|-------------------------|
| CLNE AU | VanEck Global Clean Energy | \$88m | 29 | 0.65% | CLNE AU |
| ICLN US | iShares Global Clean Energy | \$3,100m | 115 | 0.48% | ICLN US |
| ERTH US | Invesco MSCI Sustainable Future | \$293m | 178 | 0.62% | ERTH US |
| QCLN US | First Trust NASDAQ Clean Edge | \$1,200m | 65 | 0.60% | QCLN US |

*Data as at 1 October 2023



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[1] Source: [IRENA \(2020\), Renewable capacity statistics 2020 International Renewable Energy Agency \(IRENA\), Abu Dhabi](#)

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