



# QUILTER CHEVIOT SUSTAINABLE INVESTMENT THEME CLEAN ENERGY



“ Renewables are forecast to become the largest source of global electricity generation by early 2025, surpassing coal! ”

*International Energy Agency*

## WHAT

We invest in companies that provide clean energy solutions, helping to ensure that affordable, reliable, sustainable and modern energy is available for all. In particular, we focus on companies with activity that contributes to UN Sustainable Development Goal (SDG) 7 - Affordable & Clean Energy, with SDG 9 - Industry, Innovation & Infrastructure, also an important consideration.

## WHY

Fossil fuels are the most high-profile topic when considering global warming, and for good reason. With approximately 65% of all greenhouse gas emissions released when burning fossil fuels, it is at the core of the global challenge. It is important to remember that fossil fuels have played a crucial role in powering technological advancement for the last 150 years, leading to economic growth and improved living standards for many. This has, however, come at a cost and the link between the emissions released when they are burned, and climate change, can no longer be disputed.

Fortunately, the solution - or part of it at least - is known, and a transition to renewable energy sources, in particular wind and solar, is well underway. Whilst the generation of clean energy is certainly not a new phenomenon, there has been a rapid expansion in recent years. As a core component of many countries' net zero plans, we can expect the pace of adoption to continue to rise and renewables to play an ever more important role in global power supply. Encouragingly, the International Energy Agency forecasts that renewable energy will become the largest source of global electricity generation by 2025, overtaking coal<sup>1</sup>. This forecast increase is driven by wind and solar with electricity from those sources set to more than double in the next five years, providing almost 20% of global power generation by 2027.

The rapid expansion has been partly driven by technological advancements and innovation driving down costs. The cost of generating power from renewable sources has plummeted over the past decade, falling by over 40% for onshore wind and by even more for solar and offshore wind. There has also been significant advancement in battery storage too, considered by many as the key to unlocking the full potential of renewables. Storing green energy to generate electricity when the wind does not blow, or the sun does not shine, is critical to addressing the 'intermittency' challenge of renewable energy.

The geopolitical landscape brought the issue of energy security to the fore in 2022, and renewables should play a key part in that conversation. Although there remains some uncertainty over countries' regulatory approach and future energy prices, the global focus and finance directed towards renewable energy suggests this is a theme that will continue to grow.

<sup>1</sup> [International Energy Agency](#)



## HOW

From a portfolio construction perspective, investors can gain exposure to the clean energy theme right across the value chain, from subcomponent manufacturers to renewable generators.

So-called 'green infrastructure funds' offer one important investment route in the alternative investment asset class. The broad sector consists of renewable power generators, energy storage, energy efficiency, and energy transition and infrastructure - which combined have a total market cap of over £16bn in the UK. Renewable generators are the most established with a steady growth rate, while energy storage, energy transition, and energy efficiency are less mature. We are selective and look for differentiations between companies, preferring those that, we believe, offer a higher-quality and better-resourced management team. We also prefer a diversified exposure to geographies and technology.

Subcomponent manufacturers are another way for investors to access the clean energy theme. In particular semiconductors, a crucial technology that has contributed to improving the efficiency of renewable energy generation in recent years.

We also invest in companies that promote the usage of clean energy rather than its generation. This includes exposure to the electric vehicle value chain, companies that are enabling the transition of consumers away from internal combustion engine vehicles to the cleaner alternative.

## COMPANY EXAMPLES



### *EDP Renewables*

#### Portuguese Renewable Energy Manufacturer and Operator

The company's principal activity is the generation of electricity from renewable sources, including the design, development, management and operation of wind farms and solar power plants. Its activity contributes towards the target of substantially increasing the share of renewable energy in the global energy mix.

**SDG 7:** It makes an impact by ensuring access to affordable, reliable sustainable and modern energy for all.



### *The Renewables Infrastructure Group (TRIG)*

#### Renewable Energy Infrastructure Investment Trust

The investment trust invests in a range of assets that generate electricity from renewable energy sources. It is technologically diversified, owning assets including onshore wind farms and solar photovoltaic parks, and geographically diversified, with assets across the United Kingdom and Northern Europe.

**SDG 9:** It makes an impact by investing in infrastructure for the production of renewable energy, supporting the goal to develop quality, reliable, sustainable and resilient infrastructure.



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If you would like more information, please visit [quiltercheviot.com](https://quiltercheviot.com).

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