



## This Secular Trend Will Act as a Strong Tailwind for Silver Wheaton Corp.

### Description

The global shift to renewable energy continues to gather momentum with the historic Paris climate accord, which is to be implemented in 2020 and is set to remove fossil fuels from the global energy mix. While this may be more bad news for Canada's energy patch, it is good news not only for renewable energy companies but also for silver miners and precious metals streamer **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW).

### Now what?

The removal of fossil fuels may appear to be a far-fetched proposition, but with developed nations committing to the agreement, along with US\$100 billion in funding for developing nations, it may become reality. The plan is to replace fossil fuels such as coal, oil, and natural gas with solar and wind power.

This is particularly good news for Silver Wheaton.

You see, silver is a core ingredient in the manufacture of photovoltaic cells, which are used in solar panels because of its conductive properties.

In fact, it takes about eight million ounces of silver to construct enough photovoltaic cells to generate one gigawatt of electricity.

With over 40% of electricity globally produced by coal-fired power plants alone, a substantial amount of silver will be required.

This means that, along with already ambitious solar energy targets established by countries such as China, Brazil, the U.S., India and Canada, the demand for silver can only grow substantially. China alone intends to boost its installed solar electricity capacity by 200 gigawatts by 2020, which is six times higher than its current solar capacity.

This combined with a constrained supply situation can only drive the price of silver higher over the long term, which will give Silver Wheaton's earnings a nice bump.

Silver Wheaton is also a far more appealing means of cashing on the inevitable rally in silver than any of the primary silver miners because it is a far lower-risk investment.

This is because it does not operate any mines but instead provides financing to miners in exchange for the right to purchase silver at prices well below the market price. As a result, it has a far lower cost structure than any of the miners, but still offers investors leveraged exposure to the price of silver.

The company also continues to expand its business by acquiring a silver stream for **Glencore Plc's** Antamina mine in Peru for US\$900 million.

This agreement entitles Silver Wheaton to 33.75% of the mine's silver production until 140 million ounces of silver has been delivered, and 22.5% of its production thereafter for the life of the mine. In exchange, Silver Wheaton will make additional payments of 20% of the spot price of silver for each ounce delivered.

These factors leave it well positioned to take advantage of any uptick in the price of silver.

The only short-term risk is that Silver Wheaton is currently in a dispute with the CRA with a potential financial impact totaling \$353 million. However, even if it does receive an adverse finding from the CRA, this will have a negligible impact on its business over the long term.

### **So what?**

The growing momentum of the secular trend to cleaner renewable sources of energy, as evidenced by the Paris climate accord, can only drive the price of silver higher over the long term. This will be a powerful tailwind for Silver Wheaton's earnings as the demand for solar power, and silver, grows, making it a solid long-term investment.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:WPM (Wheaton Precious Metals Corp.)

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