

Elon Musk's Powerwall Might Hurt Long-Run Profitability of Utilities

Description

There's no question that utilities have been a safe haven for retirees for many years, and the news that I'm about to share with you may come across as alarming, but it's important to consider all of the facts before making an investment. I believe that in five years from now there may be a disruption to the utilities market thanks to a new product put forth by a man named Elon Musk.

Going off the grid is becoming a more practical reality by the day

Elon Musk, the CEO of **Tesla Motors Inc.** ([NASDAQ:TSLA](#)), recently revealed the Tesla Powerwall 2 and a variety of different solar panels that homeowners can now install in order to power their home and go completely off the grid. He claimed that in the future, when it becomes more affordable and practical to install solar panels on rooftops to store energy for home consumption, we may see utilities lose about a third of their business.

Losing a third of consumers is a huge concern for utilities such as **Fortis Inc.** and **Canadian Utilities Ltd.**, which were thought to have a moat to keep competition out, so that prices could be controlled and regulated. I have no doubt in my mind that Elon Musk's plan will eventually roll out, as he's very determined to reduce costs in order to accelerate the transition to sustainable energy.

Should you sell your utilities stocks?

I wouldn't make a drastic move by selling all of my utilities stocks, as it could still take many years before the mainstream shifts to installing solar panels in order to go off the grid. In five years from now, we might start seeing utilities customers slowly leaving, which will affect the bottom line. But investors can feel comfortable knowing that even when some customers go off the grid, there will always be a need for people to use utility companies for their energy.

With consumers going off the grid, we can expect the margins of the utility companies to suffer as well, especially considering how efficient, easy-to-use, and cheap the Tesla Powerwalls are becoming with every iteration. In five years this is a possibility, and in 10 years it will be a reality.

How badly will utility stocks get hit from the Powerwall?

In the worst-case scenario, we could see customer losses accelerate as time goes on, especially considering the fact that Elon Musk doesn't have profit as his number one goal. His focus is on transitioning everyone to use sustainable energy and to be self-sustaining. It may seem far-fetched, but this future might soon become a reality.

If you're a long-term utility investor, then you might want to slowly liquidate some of your utility holdings for other high yielders, such as banks or telecoms, which have a significantly stronger moat for the next decade.

Utilities are a great investment for now, but the future will change that, and it's always important to

consider market disruptors such as Elon Musk's Powerwall.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)

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Date

2025/09/17

Date Created

2016/11/02

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