Trump’s Paris Pull-Out Can’t Stop The Renewables Revolution

Description

US President Donald Trump’s decision to pull out of the Paris climate change agreement may have triggered a furious global backlash, but the economic impact will be somewhat less dramatic.

Trump is standing in the way of a worldwide revolution, and last week’s gesture will do nothing to stop it. The switch from fossil fuels to renewables is accelerating, so make sure your portfolio isn’t off the pace!

Forget Paris

The Paris agreement wasn’t going to save the world all on its own. It is a non-binding agreement, designed to set a framework to help countries accelerate the process of cutting their carbon emissions.

That process will continue regardless of anything Trump says or does, because it is being driven by technology rather than politics.

Renewables are increasingly big business. The US solar power industry now employs 373,807, more than double coal’s 160,119 total, while a further 101,738 are employed in wind.

Global green

US greenhouse emissions have now hit a 25-year low thanks to improved energy efficiency and the switch to cheap solar, natural gas and onshore wind. Elsewhere, the pace of change is even greater. China accounts for 29% of the world’s emissions, more than double the US at 14%, but it is now leading the global renewables revolution. India expects to beat its Paris renewable targets by several years, with 57% of its electricity set to come from non-fossil fuels by 2027.

Friends electric

The danger for investors is that revolutions have a nasty habit of eating their children. Bloomberg New Energy Finance reckons that mass production will make electric cars cheaper than petrol-based rivals by 2025. However, many fear that pioneer **Tesla Inc**, whose $56bn market tops both **General Motors Co** at $51bn and **Ford Motor Co** at $44bn, is overpriced because it has yet to make a profit. Tech-driven start-ups have a high failure rate, so you might want to stick to more established renewable players such as hydro specialist **Brookfield Renewable Partners** or Canadian energy infrastructure giant **Enbridge**.

Crude facts

The oil majors have struggled lately as crude struggles to keep its head above $50 a barrel, but that doesn't mean you should simply dump the likes of **Exxon Mobil**, **Chevron**, **BP**, **Petrobras** or **ConocoPhillips**. The global economy still runs on oil, and these cash-generative companies remain dividend favourites. Also, many are developing cleaner alternatives, including **Royal Dutch Shell's** move into liquid natural gas, while **Total** of France is embracing solar. Even Exxon has been investigating carbon capture technology.

Keep it clean

You could spread your risk by investing in funds such as **BlackRock GF New Energy**, which is up 97% over five years, and 31% over 12 months, but remains a high-risk vehicle. Exchange traded fund (ETF) performance has been volatile; for example, **Guggenheim Solar ETF** trades 54% higher than five years ago, but is down 37% over three years. The **iShares Global Clean Energy ETF** hasn't exactly shone. President Trump may have made a rash decision, but that doesn't mean that you should.

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