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The Election's Impact on Clean Energy

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As you know, on November 8th, 2016 Donald Trump was voted President-Elect of the United States of America, which has a number of implications for investments in clean energy.

His agenda envisions reducing regulations on the environment, banking, and healthcare to promote economic growth. His plan to reduce corporate taxes will lead to higher corporate profits. He is also expected to give international companies a onetime incentive to repatriate the $3 trillion that is held offshore with current tax rates at 35%. We also expect that quantitative easing and the purchase of long-term debt by the U.S. government will be rolled back. Higher interest rates and an influx of repatriated money are expected to lead to a significantly stronger U.S. dollar. Trump also plans to increase infrastructure spending, which will benefit some of our water investments.

While our portfolio focus is on clean energy, our main investments are in clean energy-related industries such as energy efficiency, water, waste management, and clean transportation. These investments currently comprise about 50% of the stock portfolio and we plan on increasing them to about 60%.

Water and waste management companies are growth businesses in the U.S. because of the challenges that municipal governments are facing to fund their pension plans. Municipal governments are increasingly offloading services that were traditionally tax supported like water, sewer, and waste management.

Clean transportation is not likely to be effected by Trump's policies. Car manufacturers are already responding to European requirements for reduced emissions, and have fully embraced self-driving vehicles. We expect to initiate a position in cybersecurity, which will be necessary to insure the software integrity of self-driving cars. We believe that cybersecurity will be important to the development and control of smart systems, which manage the timing and usage of electricity for battery charging. We see this as the next stage of development in self-driving cars.

Trump's proposal to ease environmental regulations will have a short term positive effect on coal and oil. However, it will not change the long-term fundamentals that affect a centralized power system dependent upon a $3 trillion electric grid, which needs serious upgrading. The combination of these costs suggests that the country will continue to move towards a more distributed energy system, which favors wind and other renewable energy generation.

In 2017, we expect to see a temporary slowdown in the U.S. wind industry because of the amount of wind turbines that were ordered to be installed in 2016. However, wind is still the preferred source of new power due to its low costs on an unsubsidized basis. The growth of wind is now expected to shift towards the emerging markets, such as India, which have no grid and can benefit from the distributed energy at a low cost. Almost all of the energy being installed to power server farms (currently 10% of U.S. consumption and growing at 20% annually), is wind or utility-scale solar, which we expect to continue. However, solar is likely to continue suffering from a worldwide overcapacity in 2017 because China is having difficulty integrating completed solar products into its grid. All of our solar investments were sold following the run up of solar stock prices following the Paris Agreement last December.

We have already reduced our investments in renewable energy-focused utilities in recognition that interest rates are likely to rise and we expect to further reduce our allocations in this sector. Looking ahead, we continue to see substantial evidence that the global development of a clean energy future is inevitable.

Please contact us at info@seamanscapital.com if you have any questions or would like to discuss our products in more detail.