

## Thinking Thematically

# The US election is finally over – try not to panic in clean energy



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### Overview

- Despite ongoing struggles with over-supply, the market saw a knee-jerk reaction against the solar industry in the wake of Trump's election victory
- While the Inflation Reduction Act looks difficult to repeal, there are reasons to hope for solar regardless of political headwinds
- Amidst strong onshoring and rising demand from artificial intelligence, clean energy could remain relevant no matter who is in the White House

Regardless of how you feel about the US election results, you're probably happy that it's finally over. We work with clients around the globe, and compared to the multi-year election cycle in the US, we look on with envy when UK elections are just six weeks long. This was the most expensive US election ever, pushing nearly \$16B in total spending, bombarding voters with advertisements on a range of issues.<sup>1</sup>

Last month, we provided a deep dive on the current fundamentals of the solar industry. However, given the election results, we thought it was time for another update. The morning after the election, clean energy stocks dropped rapidly, with household names like Sunrun down more than 30%.<sup>2</sup> This, of course, has created a sort of mirror image of the 2020 election, when clean energy stocks rose on Biden's victory.

There was certainly a whole lot of rhetoric on clean energy this election cycle, as Trump, a vocal critic of climate polices, made numerous threats to defund clean energy and implement tariffs that could impact the sector. Still, we think both the wild gains and wild losses post-election look irrational. Clean energy is an industry with its own drivers, and more importantly, we think it's here to stay.

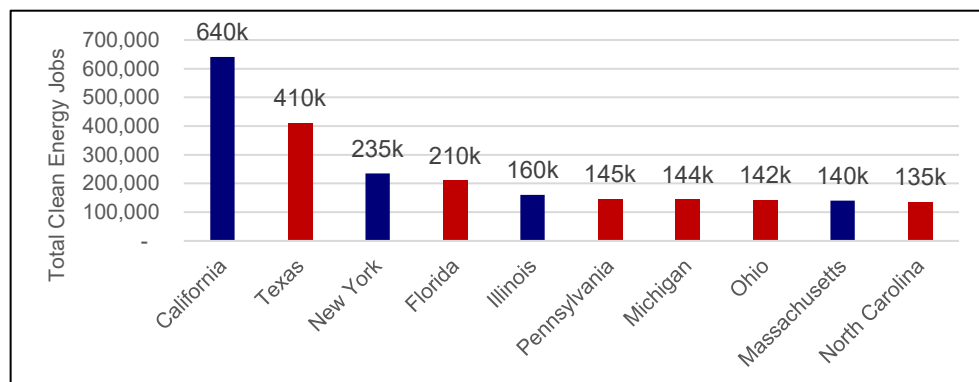
### The sun doesn't care who's in the White House

As the world heats up, one thing remains constant: the sun shines without bias, serving as an energy resource that transcends political boundaries. And, as we covered last time, the US saw 75% growth in solar capacity during Trump's first term as the economics of solar influenced the power generation industry.<sup>3</sup> The price of solar panels fell 88% between 2010 and 2023, making it a highly competitive source of energy regardless of fiscal support.<sup>4</sup>

Still, fiscal policy *is* important, and the Inflation Reduction Act (IRA) no doubt helped spur the industry further – especially for reshoring clean energy production capacity to the US. However, despite the rhetoric, IRA repeal doesn't seem like the base case. As we mentioned in last month's edition of Thinking Thematically, Republican districts have seen an outsized benefit from investments in clean energy jobs and factories – seeing \$180B of investment in Republican districts in the first year of the IRA vs just \$10B for Democratic districts. In August, eighteen Republican lawmakers in the House went so far as to write a letter to House Speaker Mike Johnson, asking him to preserve the law and the outsized benefits they're seeing to their local economies.<sup>5</sup>

Of course, we're still waiting on the results of the US House elections. A red sweep could change the political calculus, though there are clearly Republican representatives who want to keep the IRA – and its manufacturing support – in their districts.

### Clean Energy Industry Employment – Top Ten States with 2024 Presidential Vote



Source: Department of Energy, August 2024. Red represents states that voted for Trump, while blue represents states that voted for Harris.

1. The Independent, October 2024

2. Bloomberg L.P. as of 11/6/2024

3. Bloomberg New Energy Finance, November 2024

4. IRENA, August 2024

5. The Hill, August 2024

## Tariffs and trade?

One major potential change in policy, of course, is trade. Trump has proposed up to 60% tariffs on Chinese goods and 10% tariffs on other trading partners.<sup>6</sup> This, however, comes in an environment where many countries are already levying duties on Chinese cleantech imports. The US already had 50% tariffs on Chinese solar imports and recently added additional anti-dumping and countervailing duties (AD/CVD) tariffs on “pass through” imports from four Southeast Asian countries (Cambodia, Malaysia, Thailand, and Vietnam) averaging 10.9%.<sup>7</sup>

In that sense, the US solar industry may potentially be better positioned to weather tariffs than other industries currently operating without any. Solar companies have not only had time to stockpile solar inventory with 12 months of solar supply on hand – compared to normal supply of 4-6 months of needed panels.<sup>8</sup> But more importantly, the industry is engaging in “reshoring” and opening new manufacturing domestically that could provide nearly 12 GW of production capacity by 2026.<sup>8</sup>

## Forecasts for full wattage

So, where does that leave us? For one thing, regardless of the politics, clean energy is a vital resource – and a necessary one to deal with climate change and the increasingly destructive weather patterns we’re seeing. However, we also have an industry that has already suffered several years of weakness, which has hopefully created more resilience for any uncertainty ahead.

Meanwhile, thanks to artificial intelligence, we’re seeing more demand for power than ever, with an expected need 10x increase in power demand by 2030.<sup>9</sup> Furthermore, with grid connection queues longer than 5 years in many cases, there could be an ongoing need for renewables to help meet demand.<sup>10</sup> Taking all of this into consideration, recent estimates from experts expect the US to add 1.1 Terawatts (TW) of renewables between 2025-2035, 3x the rate of the previous decade. Even with a repeal of the IRA, they only expect to cut this number by 1/5, by no means a doomsday scenario.<sup>11</sup>



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## Thematic Investing with Invesco



- 37 thematic investments
- \$19.5B of assets and more than 15 years in the space
- Balance between Next-Gen themes and Thematic Industries (21/16)

Bloomberg L.P. as of 9/30/2024

6. Reuters, November 2024
7. White House, October 2024
8. Wells Fargo, October 2024
9. Forbes, June 2024
10. Reuters, June 2024
11. Bloomberg New Energy Finance, October 2024

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## Where do we go from here?

As always, we don’t have a crystal ball – though we sure like the crystalline silicone in solar panels... We’ve already seen considerable volatility in the solar industry post-election, so we certainly urge investors to proceed with caution. Still, as we’ve outlined here, there are many fundamentals to the solar industry beyond politics. No matter who’s behind the podium, solar is a useful energy source, and we could see more to come from the technology. The 2024 election has officially concluded. Whether your candidate claimed victory or not, the sun will still rise – let’s make the most of its power.

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