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Trump's 'no friend' of clean energy. Here are 3 reasons to invest anyway

- The Trump administration just reiterated its intent to withdraw from the Paris Accord on climate change.
- Leaving the climate agreement is one of many recent Trump administration moves against renewables.
- Here are the top reasons clean power will continue to expand despite political headwinds.

COMMENTARY
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The Trump administration appears to be no friend of clean energy. The administration just reiterated its intent to withdraw from the Paris Accord on climate change after sending mixed signals ahead of the UN General Assembly in New York.

In other unfavorable moves over the past eight months, the administration has modified or rescinded multiple regulations that affect renewables. In March, President Trump signed an executive order which suspended the Clean Power Plan, disbanded the Working Group on the Social Cost of Carbon, lifted a moratorium on leasing federal lands for coal mining, directed the Department of Interior to review regulations restricting oil and gas exploration on federal lands, and directed all agencies to review regulations that might burden the production of oil, natural gas, coal and nuclear energy.

Separately, the head of the EPA, Scott Pruitt, suspended a rule requiring the oil and gas industry to reduce methane leaks, though that has been blocked by courts since July, and Rick Perry, Secretary of Energy, ordered a study of the electrical grid to examine whether reliability concerns should justify support for baseload power, including coal, gas, and nuclear.

Clearly, policy changes throughout the U.S. energy industry are well underway. Even so, the actions taken by the Trump Administration have so far had a limited impact on prospects for renewable energy investment. In fact, within the past three months, both Bloomberg and Goldman Sachs have increased their expected penetration of renewable energy in the U.S. relative to their forecasts prior to the U.S. elections.

Indeed, clean energy has been on a roll. In 2016, the electricity sector accounted for approximately 60 percent of all infrastructure investment in North America, and 65 percent of that investment was allocated to renewable energy projects. Worldwide, Bloomberg estimates that more than 70 percent of new power generation investment will be directed to wind and solar generation capacity over the next 20 years, averaging more than $20 billion per year. Meanwhile, a September 2017 Preqin report indicated that 96 percent of institutional investors surveyed expected to increase their allocation to infrastructure investments over the long term. With that many investors looking to infrastructure as an opportunity, and with North American renewables being such a large portion of the infrastructure market, the current U.S. political landscape has to be a significant factor in the minds of investors.

Here are three reasons I remain bullish on the investment landscape for renewable energy.

1. Fundamental economics—not energy policy—are driving current growth in the market. The primary policy-driven incentives for renewable energy in the United States at the federal level are the Production Tax Credits for wind and the Investment Tax Credits for solar, both of which have historically provided credits equal to 30 percent of capital costs. These credit values are scheduled to gradually decline between now and 2021, ending for wind in 2019, and dropping to 10 percent for solar in 2022. However, capital costs for wind and solar are falling or have fallen faster over the past five years than the scheduled reductions in credit values. As a result, industry forecasts expect solar and wind installations to continue their penetration after these tax credits expire.

2. Electricity industry policy made at the state and local levels is more important than federal policy. The United States is composed of 50 different electricity markets. Each of the states sets its own electric utility regulations, its own wholesale rate-making process, and its own incentive structure for generation. Over the past twenty years, regional transmission organizations have consolidated some practices, but states retain substantial authority.

   At the state and local level, voters remain strongly supportive of renewable energy. In 2016 and the first half of 2017, thirty-one states passed new financial incentives or regulatory policies to support renewable energy, accounting for more than 74 percent of U.S. electricity demand in the last year where information is available. In fact, in two states (Nevada and Arizona) where utilities were successful at lobbying state utility commissions to limit the growth of solar installations in 2016, public outcry and voter pushback was so strong that the state legislatures or governors were forced to rescind the restrictions and reinstate pro-growth policies.

3. U.S. corporations are driving an increasing share of renewable generation. 240 companies within the Fortune 500 have announced programs to invest in greenhouse gas reductions, sustainability, or renewable energy initiatives, and many are transitioning to 100 percent renewable energy consumption for their global operations. This trend is being driven both by consumer and brand pressure, as well as by economic factors. In particular, renewable energy wholesale pricing is competitive with fossil pricing, and the absence of fuel price exposure offers a better hedge against long-term energy cost increases. If utilities are unwilling to offer renewable energy tariffs at competitive prices, companies are increasingly willing to procure energy directly from renewable project owners, or to own the projects themselves. For example, earlier this summer, Microsoft won approval from the Washington state regulatory commission to bypass the

monopoly utility and purchase renewable electricity directly on the wholesale market from independent generators. Other corporations eligible under the same settlement include Walmart, Kroger, and a consortium of other industrial users.

Although the new U.S. administration has pulled back on some of the Obama-era supports for the clean energy industry, these changes have not altered the fundamental growth of the industry. The U.S. renewable energy market remains a highly attractive and rapidly growing opportunity for infrastructure investing.

Commentary by Scott Brown, the founder and CEO of New Energy Capital Partners, a leading investor in clean energy projects in the United States with over $600 million in assets currently under management. Mr. Brown was a member of the founding management team of First Solar, and was a member of the National Advisory Council of the National Renewable Energy Laboratory from 1999-2005.