Tesla set to lead this decade's renewable energy and electric vehicle boom

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Renewable energy and electric vehicles (EVs) are set to be massive macro trends this decade. A raft of Government support, combined with massive cost reductions, will propel both sectors higher. In most locations globally solar is now the cheapest form of electricity production (followed by wind), and from about 2023 electric vehicles will be cheaper to buy than conventional cars. Hundreds of millions of people globally will make the move to solar and wind power, combined with EVs simply because it will be the cheapest way to create energy and to commute.

EV, solar, and wind stocks are already surging in anticipation of this at least decade long boom as shown in the chart below. Just take a look at these sizzling returns so far in 2020. This is just the beginning of what lies ahead.

- Tesla (NASDAQ: TSLA) – Up 258%
- BYD Co. (HK: 1211) – Up 89%
- SolarEdge Technologies Inc. (NASDAQ: SEDG) – Up 86%
- Enphase Energy Inc. (NASDAQ: ENPH) – Up 133%
- Vestas Wind Systems (GR: VWS) – Up 32%

2020 YTD returns for some leading EV, solar, and wind stocks

Source: Yahoo Finance

Government support for renewable energy and EVs announced in

July 2020

- July 21, 2020 – The EU announced the biggest green stimulus in history with a 500 billion Euros (US$572 billion) climate change plan as part of a 1.8 trillion Euros stimulus plan over 7 years.
- July 14, 2020 – In the USA, Joe Biden unveiled a US$2 trillion green infrastructure and jobs plan over 4 years, if elected. The plan aims for the U.S. to have a carbon pollution-free power sector by 2035. The plan includes US investments in new infrastructure, public transit, clean electricity, the electric vehicle industry (EV and battery production), buildings and housing, and agriculture. Also to boost fuel economy standards which encourages car makers to switch to EVs.
- July 7, 2020 – The UK announced a GBP 3 billion 'green' plan to focus on energy efficiency and re-skilling for 'green jobs', which includes a housing retrofit scheme. The UK Gov. already supports EVs.

Whilst the Government initiatives will help, the private sector is also rapidly moving towards supporting renewable energy. Global investment in new renewables capacity rose 5% in H1 2020, despite the chaos of COVID-19. Offshore wind was the star performer with $35 billion of new financing in H1 2020, up 319% YoY. This bodes well for the leading wind turbine manufacturers.

Regarding electric vehicles, sales have been picking up rapidly and outperforming regular vehicles in terms of gaining market share, especially in Europe and China. For example, for Europe in June 2020, conventional car market sales fell 24% YoY, whereas electric car sales rose 95%. Electric car sales in Europe are surging and in June made up 8.2% market share. Germany has led the way where conventional car sales fell 32% but electric car sales rose a staggering 274%, growing to reach

8.6% market share in June 2020.

EV sales forecast to really take off after 2022 as affordability kicks in

Source

BloombergNEF 2020 forecast for annual electric vehicle sales are:

- 10% share by 2025 (~9 million pa)
- 28% share by 2030 (~24 million pa)
- 58% share by 2040 (~54 million pa)

Investors would be wise to review some of the leading companies for each of the three boom areas:

Solar – Tesla, SolarEdge Technologies Inc., Enphase Energy Inc., First Solar, Inc. (NASDAQ: FSLR).

Wind – Vestas Wind Systems, Siemans, GE Wind/General Electric (GE), Siemans AG (GR:SIE | OTC: SIEGY), Xinjiang Goldwind Science & Technology Co. (HK:2208).

Electric Vehicles – Tesla, BMW, Volkswagen, BYD Co.

Investors could also look at some niche players that lead in their area. Here are some examples.

- dynaCERT Inc. (TSX: DYA | OTCQX: DYFSF) – Emissions reductions, and greater fuel efficiency.
- Exro Technologies Inc. (CSE: XRO | OTCQB: EXROF) – Making electric engines more efficient (like gears in a car).

You can read more at InvestorIntel's Cleantech coverage here.

Finally the other area to benefit will be the suppliers of

critical materials, especially the EV metal miners, the rare earth miners, and the lightweight materials companies. Some names we follow include Nano One Materials Corp. (TSXV: NNO), Neo Performance Materials Inc. (TSX: NEO), Appia Energy Corp. (CSE: API | OTCQB: APAAF), Avalon Advanced Materials Inc. (TSX: AVL | OTCQB: AVLNF), Scandium International Mining Corp. (TSX: SCY), Imperial Mining Group Ltd. (TSXV: IPG), and ZEN Graphene Solutions Ltd. (TSXV: ZEN). You can review InvestorIntel's coverage on this sector here.

Closing remarks

The renewable energy and EV booms have already begun but are still in the very early stages of what will be at least a decade long boom. The opportunity for investors is enormous as we have already started to see with Tesla as well as several other EV, solar and wind stocks so far in 2020.

Picking the winners of any disruption is never easy, but a good start is to go with the existing winners, and to diversify across a few sectors and stocks. The 2020s decade will see several disruptions combining as we see with solar, wind, EVs, and energy storage. Later this decade we will likely see a boom in Transport as a Service (TaaS), autonomous vehicles, and even affordable point-to-point space travel.

Further reading

- A look at some combined disruptions for the 2020s – Searching for the next Amazon or Tesla